

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) WITHIN THE MEANING OF RULE 144A (“RULE 144A”) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR (2) NON-U.S. PERSONS PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S (“REGULATION S”) UNDER THE U.S. SECURITIES ACT.**

**IMPORTANT: You must read the following before continuing.** The following applies to the offering memorandum following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

The offering memorandum has been prepared in connection with the proposed offer and sale of the securities described herein. The offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

**Confirmation of your representation:** In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities described therein, investors must be either (a) QIBs or (b) non-U.S. persons who are outside the United States that would invest in the securities in an offshore transaction in accordance with Regulation S; *provided that* investors resident in a member state of the European Economic Area are qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each member state of the European Economic Area). The offering memorandum is being sent at your request. By accepting the email and accessing the offering memorandum, you shall be deemed to have represented to the Initial Purchasers (as defined in the offering memorandum), being the sender or senders of the offering memorandum, that:

- (a) you consent to delivery of such offering memorandum by electronic transmission; and
- (b) either:
  - (i) you and any clients you represent are QIBs; or
  - (ii) you are a non-U.S. person and the email address that you gave us and to which the email has been delivered is not located within the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia.

Prospective purchasers of the Bonds that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

The materials relating to the offering of the Bonds do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of the Bonds be made by a licensed broker or dealer and the Initial Purchasers or any affiliates of the Initial Purchasers are a licensed broker or dealer in that jurisdiction, the offering of the Bonds shall be deemed to be made by the Initial Purchasers or such affiliates on behalf of the Issuer (as defined in the offering memorandum) in such jurisdiction. Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The offering memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). The offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

No person may 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 the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Initial Purchasers, nor any person who controls the Initial Purchasers, nor any of their directors, officers, employees or agents, accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers. The information in this offering memorandum is not complete and may be changed.



## Emirates Sembcorp Water & Power Company PJSC

### US\$400,000,000 4.450% Senior Secured Bonds due 2035

This is an offering by Emirates Sembcorp Water & Power Company PJSC (“we”, “us”, “our” or the “**project company**”) of US\$400,000,000 in aggregate principal amount of its 4.450% Senior Secured Bonds due 2035 (the “**Bonds**”). The Bonds will bear interest from the date of issuance at a rate of 4.450% per annum, payable semi-annually in arrears on or around February 1 and August 1 of each year, beginning on February 1, 2018. Principal on the Bonds will be payable in semi-annual installments, pursuant to an amortization schedule set forth herein, on or around February 1 and August 1 of each year, beginning August 1, 2029. The Bonds will mature on August 1, 2035.

The Bonds will constitute our secured, direct and unconditional obligations and will rank equally without any preference among themselves. Our payment obligations under the Bonds will, other than in the case of claims, which are granted preferential treatment by statute or by operation of law, at all times rank at least equally in right of payment with our other present and future unsubordinated obligations (including other Senior Debt Obligations (as defined herein)) from time to time outstanding and senior in right of payment with all of our present and future subordinated obligations outstanding from time to time. The Bonds will not be guaranteed by our Sponsors (as defined herein), our Shareholders (as defined herein) or by any other person. The Bonds will be secured by the security described herein and the security will also secure, on an equal and ratable basis, our other Senior Debt Obligations.

We may redeem all or part of the Bonds at any time at a redemption price equal to the greater of: (a) 100% of the principal amount of the Bonds being redeemed plus accrued interest up to but excluding the date of redemption; and (b) an amount equal to the sum of the net present values of the then remaining scheduled payments of principal and interest on the Bonds to be redeemed, discounted to such redemption date at a discount rate, as more fully described in the “*Description of the Bonds*” section. We are required to redeem the Bonds upon the occurrence of certain events as more fully described herein.

*Investing in the Bonds involves certain risks. See “Risk Factors” beginning on page 24 for a discussion of certain risks you should consider in connection with an investment in the Bonds.*

*Offering Price: 100.00% plus accrued interest, if any, from the date of issuance.*

The Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws. The Initial Purchasers (as defined herein) are offering the Bonds only to persons who are qualified institutional buyers (“**QIBs**”) in reliance on Rule 144A under the Securities Act (“**Rule 144A**”) and to non-U.S. Persons (as defined herein) outside the United States in accordance with Regulation S under the Securities Act (“**Regulation S**”). For a description of eligible offerees and restrictions on transfers of the Bonds, see “*Transfer Restrictions*”.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Memorandum (as defined herein). Approval in-principle from, admission of the Bonds to the official list (the “**Official List**”) of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer (as defined herein) or any of its associated companies (if any) or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of SGD 200,000 (or its equivalent in foreign currencies). There is no assurance that the Bonds will be admitted to the Official List and listed and quoted on the SGX-ST.

The Initial Purchasers expect to deliver the Bonds on or about December 7, 2017. The Bonds offered and sold in reliance on Rule 144A (the “**Rule 144A Bonds**”) are each represented by beneficial interests in one or more restricted global certificates, in registered form without interest coupons attached, which will be deposited with a custodian for, and registered in the name of, Cede & Co. as nominee for The Depository Trust Company (“**DTC**”). The Bonds offered and sold in reliance on Regulation S (the “**Regulation S Bonds**”) are each represented by beneficial interests in an unrestricted global certificate, in registered form without interest coupons attached, which will be registered in the name of a nominee for the common depository for, and in respect of interests held through, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”).

#### *Joint Global Coordinators and Joint Bookrunners*

Citigroup

HSBC

#### *Joint Bookrunners*

DBS Bank Ltd.

First Abu Dhabi Bank

SMBC Nikko

The date of this Offering Memorandum is November 29, 2017

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## NOTICE TO INVESTORS

Application has been made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum (the “**Offering Memorandum**”). Approval in-principle from, admission of the Bonds to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer or any of its associated companies (if any) or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of SGD 200,000 (or its equivalent in foreign currencies).

This Offering Memorandum may be used only for the purposes for which it has been published. You should rely only upon the information contained in this Offering Memorandum. Neither we nor Citigroup Global Markets Limited (“**Citigroup**”), HSBC Bank plc (“**HSBC**”), DBS Bank Ltd. (“**DBS Bank Ltd.**”), First Abu Dhabi Bank PJSC (“**FAB**”) and SMBC Nikko Capital Markets Limited (“**SMBC Nikko**”) (together, the “**Initial Purchasers**”) have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the Initial Purchasers are making an offer to sell the Bonds in any jurisdiction where such offer or sale is not permitted. You should assume the information appearing in this Offering Memorandum is accurate only as at the date on the front cover of this Offering Memorandum. Our business, results of operations, financial condition and prospects may have changed since that date. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or those of our affiliates or that the information set forth in this Offering Memorandum is correct as at any date subsequent to the date of this Offering Memorandum.

This Offering Memorandum has been prepared by us solely for use in connection with the offering of the Bonds. We accept responsibility for the information contained in this Offering Memorandum and confirm that, to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Bonds, you will be deemed to have made the acknowledgments, representations, warranties and agreements set forth in “*Transfer Restrictions*”. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time. The Initial Purchasers are relying on exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A and Regulation S in connection with the initial resale of the Bonds. The Bonds are subject to restrictions on transferability and resale and may not be transferred or resold within the United States except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from registration.

To the fullest extent permitted by law, none of the Initial Purchasers accepts any responsibility for the contents of this Offering Memorandum or for any other statement made or purported to be made by any Initial Purchaser or on its behalf in connection with us as the issuer of the Bonds (the “**Issuer**”) or the issue and offering of the Bonds. Each Initial Purchaser 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 Offering Memorandum or any such statement.

The Bonds 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, for the account or benefit of, U.S. Persons, as defined in Rule 902(k) promulgated under the Securities Act (each, a “**U.S. Person**”), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are not transferable except in accordance with the restrictions described herein. See “*Plan of Distribution*” and “*Transfer Restrictions*”.

Neither this Offering Memorandum nor any other information supplied in connection with the offering of the Bonds is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by us or the Initial Purchasers that any recipient of this Offering Memorandum or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. None of the Initial Purchasers accepts any liability in relation to the information contained in this Offering Memorandum or any other information provided by us in connection with the offering of the Bonds.

In making an investment decision regarding the Bonds offered by this Offering Memorandum, you must rely on your own examination of us and the terms of the offering of the Bonds, including, without limitation, the merits and risks involved. The offering of the Bonds is being made on the basis of this Offering Memorandum. Any decision to purchase the Bonds in the offering must be based only on the information contained in this Offering Memorandum.

The Bonds may not be a suitable investment for all investors. Each prospective purchaser of the Bonds must determine the suitability of that investment in light of their own circumstances. In particular, each prospective purchaser of the Bonds should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Memorandum;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective purchaser's currency;
- (d) understand thoroughly the terms of the Bonds and be familiar with the behavior of financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Prospective purchasers should not invest in the Bonds unless they have the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions and the impact this investment will have on the prospective purchaser's overall investment portfolio.

You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Bonds. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Bonds. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Bonds or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals. Neither we nor any of the Initial Purchasers shall have any responsibility for compliance with any of the foregoing legal requirements. We are not, and the Initial Purchasers are not, making any representation to you regarding the legality of an investment in the Bonds by you under appropriate legal investment or similar laws.

This Offering Memorandum is personal to you and each prospective purchaser of the Bonds and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds. Distribution of this Offering Memorandum to any person other than the prospective purchaser of the Bonds and any person retained to advise such prospective purchaser of the Bonds with respect to the purchase of the Bonds is unauthorized, and any disclosure of any of the contents of this Offering Memorandum, without our prior written consent, is prohibited. You and each prospective purchaser of the Bonds, by accepting delivery of this Offering Memorandum, agree to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum. You may not use any information herein for any purpose other than considering an investment in the Bonds.

The information contained in this Offering Memorandum has been furnished by us and other sources we believe to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of any of the information set forth in this Offering Memorandum, and nothing contained in this Offering Memorandum is or shall be relied upon as a promise or representation, whether as to the past or the future by the Initial Purchasers. This Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents for the complete information contained in those documents. See "*Available Information*". All summaries are qualified in their entirety by this reference.

The information set out in those sections of this Offering Memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream, Luxembourg currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such book-entry interest.

No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum, and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers. The information contained in this Offering Memorandum is as at the date hereof and is subject to change, completion or amendment without notice. Neither the delivery of this Offering Memorandum at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in our affairs since the date of this Offering Memorandum.

Neither the delivery of this Offering Memorandum nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning us is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bonds is correct as at any time subsequent to the date indicated in the document containing the same. The Initial Purchasers expressly do not undertake to review our financial condition or affairs during the term of the Bonds or to advise any investor in the Bonds of any information coming to their attention. By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Bonds.

We reserve the right to withdraw the offering of the Bonds at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Bonds in whole or in part and to allot to you less than the full amount of the Bonds subscribed for by you.

The Bonds are expected to be assigned ratings of A2 (stable outlook) by Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("**Moody's**") and A- (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. ("**S&P**"). Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 462/2013 on Credit Rating Agencies (the "**CRA Regulation**"). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold the Bonds, does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organizations. See "*Risk Factors—Risks Relating to the Bonds—The credit ratings of the Bonds may be suspended, downgraded or withdrawn, which could have an adverse effect on the value of an investment in the Bonds*".

**In connection with the offering of the Bonds, Citigroup (or persons acting on its behalf) (the "Stabilizing Manager") may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offering of the Bonds is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of the allotment of the Bonds, whichever is earlier. Any stabilization action or over-allotment will be conducted by the Stabilizing Manager in accordance with all applicable laws, regulations and rules.**

Investors may be required to bear the financial risk of an investment in the Bonds for an indefinite period. The Bonds are not transferable except in compliance with the restrictions described in "*Transfer Restrictions*".

**THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY INCLUDING THE U.S. SECURITIES AND EXCHANGE COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of the Bonds may be restricted by law in certain jurisdictions. We and the Initial Purchasers are not making any representation that this Offering Memorandum may be lawfully distributed, or that any Bonds 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 us or the Initial Purchasers which is intended to permit a public offering of any Bonds or distribution of this Offering Memorandum in any jurisdiction

where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Memorandum 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 Offering Memorandum or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer or sale of Bonds in the Dubai International Financial Centre, the Abu Dhabi Global Market, the European Economic Area (the “EEA”), the Netherlands, Hong Kong, Japan, the Kingdom of Bahrain, Singapore, Taiwan, the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market), the United Kingdom and the United States. See “*Plan of Distribution—Selling Restrictions*”.

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 prospective purchaser of the Bonds should consult its legal advisers to determine whether and to what extent: (a) the Bonds are legal investments for it; (b) the Bonds can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules. We and the Initial Purchasers do not make any representation to any investor in the Bonds regarding the legality of its investment under any applicable laws. Any investor in the Bonds should be able to bear the economic risk of an investment in the Bonds for an indefinite period of time.

**This offering has not been filed with, reviewed or approved by the Central Bank of the United Arab Emirates, the United Arab Emirates Securities and Commodities Authority or any other relevant United Arab Emirates governmental body or securities exchange.**

Each purchaser of a Bond will be deemed to have represented and agreed that the purchaser is acquiring the Bond for its own account or for one or more accounts as to each of which the purchaser exercises sole investment discretion and in a minimum denomination, in each case, for the purchaser and each such account. See “*Transfer Restrictions*”.

#### **NOTICE TO U.S. INVESTORS**

Each purchaser of the Bonds will be deemed to have made the representations, warranties, and acknowledgments that are described in this Offering Memorandum under “*Transfer Restrictions*”. The Bonds have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. The Bonds are being offered within the United States only to persons that are QIBs in reliance on Rule 144A and outside the United States only to persons that are non-U.S. Persons in accordance with Regulation S. Prospective purchasers of the Bonds are hereby notified that the seller of any Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Bonds, see “*Transfer Restrictions*”. The Bonds may not be offered to the public within any jurisdiction. By accepting delivery of this Offering Memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Bonds to the public.

#### **NOTICE TO RESIDENTS OF THE UNITED KINGDOM**

The issue and distribution of this Offering Memorandum is restricted by law. This Offering Memorandum is not being distributed by, and has not been approved for the purposes of section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”) by, a person authorized under the FSMA. This Offering Memorandum is for distribution only to persons who:

- (a) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, the “**Financial Promotion Order**”);
- (b) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order;
- (c) are outside the United Kingdom; or
- (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Bonds may otherwise lawfully be

communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”).

This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer.

#### **NOTICE TO CERTAIN EUROPEAN INVESTORS**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers nominated by us for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided that* no such offer of the Bonds shall require the publication by us or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive other than in reliance on Article 3(2)(b).

For the purposes of this provision, the expression “offer of Bonds to the public” in relation to any Bonds 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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.

Each subscriber for or purchaser of the Bonds in the offering located within a member state of the European Economic Area will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. We, the Initial Purchasers and each of our and their respective affiliates and others will rely upon the trust and accuracy of the foregoing representation, acknowledgment and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified any Initial Purchaser of such fact in writing may, with the consent of any Initial Purchaser, be permitted to subscribe for or purchase the Bonds in the offering.

#### **NOTICE TO KINGDOM OF BAHRAIN RESIDENTS**

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Offering Memorandum and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Offering Memorandum. Each potential investor resident in the Kingdom of Bahrain intending to subscribe for Bonds (each, a “**potential investor**”) may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase the Bonds within a reasonable time period determined by the Issuer and the Initial Purchasers. Pending the provision of such evidence, an application to subscribe for Bonds will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Issuer or the Initial Purchasers are satisfied therewith, its application to subscribe for Bonds may be rejected in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any Bahraini potential investors, the Issuer will comply with Bahrain’s Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and various Ministerial Orders issued thereunder including, Ministerial Order No. (7) of 2001 with respect to Institutions’ Obligations Concerning the Prohibition and Combating of Money Laundering.

## **NOTICE TO RESIDENTS OF THE DUBAI INTERNATIONAL FINANCIAL CENTRE**

Each Initial Purchaser has represented, warranted and agreed that it has not offered and will not offer the Bonds 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.

Furthermore, the DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has no responsibility for the contents of this Offering Memorandum and has not approved this Offering Memorandum nor has it reviewed or verified the information in it.

## **NOTICE TO RESIDENTS OF THE ABU DHABI GLOBAL MARKET**

Each Initial Purchaser has represented, warranted and agreed that it has not offered and will not offer the Bonds to any person in the Abu Dhabi Global Market unless such offer is:

- (a) an “Exempt Offer” in accordance with the Market Rules (MKT) issued by the Financial Services Regulatory Authority of the Abu Dhabi Global Market (the “**FSRA**”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4 of the FSRA Conduct of Business Rulebook.

Furthermore, the FSRA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The FSRA has no responsibility for the contents of this Offering Memorandum and has not approved this Offering Memorandum nor has it reviewed or verified the information in it.

## **NOTICE TO RESIDENTS OF THE UNITED ARAB EMIRATES (EXCLUDING THE DUBAI INTERNATIONAL FINANCIAL CENTRE AND THE ABU DHABI GLOBAL MARKET)**

The Bonds have not been and will not be offered, sold or delivered at any time, directly or indirectly, other than in accordance with the terms of any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities, including, the Chairman of the Securities and Commodities Authority (the “**SCA**”) Board of Directors Decision No. (3 R/M) of 2017. This Offering Memorandum has not been reviewed, disapproved or approved by or registered with the Central Bank of the United Arab Emirates or the SCA or any other relevant United Arab Emirates governmental body or securities exchange, nor has the Issuer or any Initial Purchaser received authorization or licensing from the SCA or any other governmental authority in the United Arab Emirates to market or sell the Bonds within the United Arab Emirates.

This Offering Memorandum is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

## **NOTICE TO RESIDENTS OF TAIWAN**

The offer of the Bonds has not been and will not be registered with or approved by the Financial Supervisory Commission (“**FSC**”) or any other government authorities of the Republic of China (Taiwan) pursuant to relevant securities laws and regulations and may not be offered or sold within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the securities and exchange law of Taiwan that requires a registration with or approval of the FSC.

## ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated as a private joint stock company (*sharikah mussahimah khassah*) duly organized and existing under the Federal Laws (as defined herein) and the laws of the Emirate of Fujairah. All of our directors and officers and all or a significant portion of the assets of such persons may be, and all or substantially all of our assets are, located outside the United States. In addition, the United Arab Emirates is a foreign sovereign state. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments or arbitral awards against them or against us in U.S. courts or to enforce, in the United Arab Emirates, court judgments obtained in U.S. courts or arbitral awards obtained in the United States, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. It may not be possible to enforce, in original actions in the United Arab Emirates courts, liabilities predicated solely on the U.S. federal securities laws. For a discussion of possible limitations on the ability to enforce, in the United Arab Emirates, court judgments obtained in U.S. courts or arbitral awards obtained in the United States, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws, see “*Risk Factors—Risks Relating to Enforcement*”.

The Bonds and the Indenture (as defined herein), which are described in “*Description of the Bonds*”, are governed by the laws of the State of New York, United States. Any disputes in relation to the Bonds and the Indenture will be referred to and resolved by arbitration in London in accordance with the LCIA Rules (as defined herein).

## AVAILABLE INFORMATION

We are not subject to the periodic reporting and other informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”). We have agreed, for so long as any of the Bonds remain outstanding, to provide the Bond Trustee (as defined herein) with the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the Bonds. As noted in “*Presentation of Financial and Other Information*”, we prepare our financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (“**IFRS**”). All future financial information relating to us which will be delivered to the holders of the Bonds (the “**Bondholders**”) under the Indenture (as defined herein) will be prepared in accordance with those procedures.

**Any information provided to you by us pursuant to Rule 144A is confidential. You may not reproduce or distribute this information, in whole or in part, and you may not disclose or use any of this information for any purpose other than considering an investment in the Bonds. You agree to the foregoing by accepting delivery of this Offering Memorandum.**

Prospective purchasers of the Bonds may review copies of certain agreements and other documents summarized under “*Summary of Principal Project Documents*”, “*Description of the Bonds*” and “*Summary of Principal Finance Documents*” at the offices of Citibank, N.A., London Branch (the “**Bond Trustee**”) in London, United Kingdom and upon request to the Bond Trustee at its Corporate Trust Office (as defined in “*Description of the Bonds*”), during normal business hours subject to compliance with procedures to preserve the confidentiality of this information, including execution of a confidentiality undertaking or a non-disclosure agreement.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Statements

Unless otherwise indicated, the financial position, financial performance and cash flows data included in this Offering Memorandum have been extracted from:

- (a) our audited financial statements as at and for the years ended December 31, 2016 (the “**2016 Financial Statements**”) and December 31, 2015 (which also contain corresponding financial results for the year ended December 31, 2014) (the “**2015 Financial Statements**” and, together with the 2016 Financial Statements, the “**Audited Financial Statements**”); and
- (b) our unaudited interim condensed financial statements as at and for the nine months ended September 30, 2017 (which also contain corresponding financial results for the nine months ended September 30, 2016) (the “**Unaudited Financial Statements**” and, together with the Audited Financial Statements, the “**Financial Statements**”).

The Audited Financial Statements have been prepared in accordance with IFRS. The Unaudited Financial Statements have been prepared in accordance with International Accounting Standard No. 34. For more information on KPMG Lower Gulf Limited, please see “*Independent Auditors*”.

As stated in KPMG Lower Gulf Limited’s report to the 2015 Financial Statements, the comparative information as at and for the year ended December 31, 2014 presented in the 2015 Financial Statements is based on our financial statements as at and for the year ended December 31, 2014, which were audited by another auditor whose report dated March 19, 2015 expressed an unqualified audit opinion on those financial statements.

### Reclassification

In the 2016 Financial Statements, certain comparative figures have been reclassified to conform to the presentation adopted in the 2016 Financial Statements. Accordingly, certain 2015 figures as set forth in the 2016 Financial Statements differ from the 2015 figures as set forth in the 2015 Financial Statements. The 2015 figures presented in this Offering Memorandum are those set forth in the 2016 Financial Statements. Such reclassification only affected related party transactions figures in the balance sheet and had no effect on profit and loss.

### Other Financial Information and Currency Translation

In this Offering Memorandum, all references to “**AED**” and “**dirham**” are to the United Arab Emirates dirham, being the legal currency for the time being of the United Arab Emirates, all references to “**U.S. dollars**” and “**US\$**” are to the lawful currency for the time being of the United States and all references to “**SGD**” are to the lawful currency for the time being of Singapore. Translations of amounts from dirhams to U.S. dollars in this Offering Memorandum are solely for the convenience of the reader. The dirham has been pegged to the U.S. dollar since November 1997 at a fixed rate of AED 3.6725 = US\$1.00 and certain external data may be calculated according to this rate, for example, data for the economy of the Emirate of Abu Dhabi. We use a rate of AED 3.675 = US\$1.00 for our internal books and records. The Computer Model (as defined herein) has been prepared using an exchange rate of AED 3.67242 = US\$1.00 and, accordingly, translations of amounts from dirhams to U.S. dollars have been made at this exchange rate for certain project company-derived data for the periods presented in this Offering Memorandum, including for convenience translations in the “*Capitalization*” section.

Some financial information in this Offering Memorandum has been rounded and, as a result, the totals of the data presented in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

### Non-IFRS Financial Measures

In this Offering Memorandum, we present certain financial measures that are not recognized by IFRS or any other generally accepted accounting principles and that may not be permitted to appear on the face of financial statements or footnotes thereto. The non-IFRS financial measures used in this Offering Memorandum are EBIT and EBITDA (our “**Non-IFRS Measures**”).

Our Non-IFRS Measures are defined as follows:

- “EBIT” is defined as net profit before interest (net) and taxes; and

- “EBITDA” is defined as net profit before interest (net), taxes, depreciation and amortization.

By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe our Non-IFRS Measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe that our Non-IFRS Measures and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

Our Non-IFRS Measures are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Our Non-IFRS Measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Some of the limitations of Non-IFRS Measures are that:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated income statement;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry and analysts may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, our Non-IFRS Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our Financial Statements and using these Non-IFRS Measures only supplementally to evaluate our performance.

## INFORMATION REGARDING THE UNITED ARAB EMIRATES, THE EMIRATE OF ABU DHABI AND THE EMIRATE OF FUJAIRAH AND OUR MARKET AND INDUSTRY

Statistical data and other information presented herein related to the United Arab Emirates, the Emirate of Abu Dhabi and the Emirate of Fujairah, in particular information presented in *“Industry and Regulation”* and *“Overview of the United Arab Emirates, the Emirate of Abu Dhabi and the Emirate of Fujairah”* are based on data and information made publicly available by government agencies of the United Arab Emirates, the Emirate of Abu Dhabi and the Emirate of Fujairah, including the Federal Competitiveness and Statistics Authority (the **“FCSA”**), the Statistics Centre – Abu Dhabi (the **“SCAD”**) and the Fujairah Statistics Center. We believe that the information referred to above has been accurately reproduced and, as far as we are aware and able to ascertain from this information, no facts have been omitted which would render the information provided inaccurate or misleading. However, neither we nor our Sponsors, any of their affiliates or any Initial Purchaser can guarantee the accuracy or completeness of the information and none of us or them has independently verified it.

Some of the market and competitive position data appearing in *“Industry and Regulation”*, *“Our Project”* and *“Overview of the United Arab Emirates, the Emirate of Abu Dhabi and the Emirate of Fujairah”* has been obtained from:

- (a) information provided by the Organization of the Petroleum Exporting Countries (**“OPEC”**);
- (b) publications of the Government of the United Arab Emirates (as defined herein) and the Government of the Emirate of Abu Dhabi and their ministries and departments, including the FCSA, the SCAD and the Fujairah Statistics Center;
- (c) information published by the International Monetary Fund (**“IMF”**), the World Bank (as defined herein) and the Central Bank of the United Arab Emirates; and
- (d) third-party industry expert reports.

For certain statistical information, similar statistics may be obtainable from other sources and the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

The information in *“Industry and Regulation”* has been provided by Abu Dhabi Water and Electricity Company (**“ADWEC”** or the **“Procurer”**) and has been compiled to include information for the power (or power and water) projects under the ADWEA Privatization Program (as defined herein) and, in some cases, information for the Emirate of Fujairah and, in other cases, information for the Northern Emirates (as defined herein). Prospective purchasers of the Bonds should be aware that this information was produced by ADWEC and represents the most accurate information or data that we have as at the date of this Offering Memorandum. Some of the industry data appearing in *“Industry and Regulation”* and *“Our Project”* includes industry data from a segment of the Northern Emirates and the Emirate of Abu Dhabi.

Prospective purchasers of the Bonds should review the description of the economy of the United Arab Emirates set forth in this Offering Memorandum in light of the following observations. Statistics contained in this Offering Memorandum, including those in relation to nominal gross domestic product (**“GDP”**), revenues and expenditures of the United Arab Emirates and indebtedness of the United Arab Emirates have been obtained from a number of different identified sources. Similar statistics may be obtainable from other sources and the underlying assumptions, methodology and consequently the resulting data may vary from source to source. There may also be material variances between preliminary or estimated data set forth in this Offering Memorandum and actual results, and between the data set forth in this Offering Memorandum and corresponding data previously published by or on behalf of the United Arab Emirates. The data regarding the Emirate of Abu Dhabi’s nominal GDP for 2016 is preliminary and subject to change and certain other historical GDP data set out in that section may also be subject to future adjustment. Consequently, the statistical data contained in this Offering Memorandum should be treated with caution by prospective purchasers of the Bonds.

## **PRESENTATION OF POWER GENERATION AND SEAWATER DESALINATION DATA**

For the purposes of this Offering Memorandum, all of the references to “**MW**” are to megawatts of electrical power and all references to “**kW**” are to kilowatts of electrical power. All references to “**MIGD**” are to million imperial gallons per day of water. An imperial gallon is equal to 1.20 U.S. gallons and 4.55 metric liters. All references to “**heat rate**” refer to the measure of thermal efficiency of our plant in the conversion of natural gas into electricity. The heat rate is the required amount of gas (or fuel) consumption in kilojoule to generate one kilowatt hour of electrical energy. All references to “**backup fuel**” refer to diesel fuel oil.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, cash flows, liquidity, financial projections, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution each prospective purchaser of the Bonds that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our financial condition, results of operations and cash flows and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- (a) operational and maintenance and other risks that impact our business;
- (b) sabotage, terrorism acts, acts of war or armed conflicts;
- (c) unplanned events or accidents affecting our operations (including machinery breakdown and equipment failures and natural disasters);
- (d) our dependence on certain of our Shareholders and their affiliates for our operations;
- (e) our involvement in related party transactions;
- (f) our reliance on third-party suppliers for, and third-party operators of, our plant;
- (g) the availability of skilled personnel and our ability to retain or attract key personnel;
- (h) existing or future regulations and standards in the market in which we operate;
- (i) compliance with government regulation and licenses;
- (j) potential liabilities resulting from violations of environmental and safety standards;
- (k) access to adequate insurance to cover all potential losses;
- (l) our dependence on a sole off-taker and procurer;
- (m) changes in the laws regulating or impacting the water and electricity sector in the Emirate of Abu Dhabi;
- (n) our ability to meet our significant debt service obligations;
- (o) changes to tax laws;
- (p) our liquidity, capital resources, working capital, cash flows and capital commitments;
- (q) judicial uncertainty with respect to certain aspects of United Arab Emirates law; and
- (r) other risk factors discussed under “*Risk Factors*”.

This list is not exhaustive and we urge each prospective purchaser of the Bonds to read this Offering Memorandum, including “*Risk Factors*”, “*Operating and Financial Review*”, “*Industry and Regulation*” and “*Our Project*” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. There are other factors that may cause our actual results to differ materially from the forward-looking

statements contained in this Offering Memorandum. Moreover, new risk factors emerge from time to time and it is not possible for us to predict all such risk factors. We cannot assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Any forward-looking statement herein speaks only as at the date on which it is made, and is based on plans, estimates and projections as they are currently available to us. Except as required by law, we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

## SUMMARY

*This summary highlights information contained elsewhere in this Offering Memorandum. It does not contain all the information that you should consider before investing in the Bonds. You should read the entire Offering Memorandum carefully, including the Financial Statements, the notes to the Financial Statements, and the Independent Technical Due Diligence Report attached as Annex C. You should read “Risk Factors” beginning on page 24 for more information about important factors that you should consider before purchasing the Bonds. All capitalized terms used but not otherwise defined in this Offering Memorandum have the meanings given to such terms in “Description of the Bonds”, Annex A or Annex B.*

*In this Offering Memorandum, references to “we”, “us”, “our” or “the project company” are to Emirates Sembcorp Water & Power Company PJSC. In this Offering Memorandum, we refer to the Fujairah 1 independent combined cycle power generation and seawater desalination plant as “our plant” or the “facility” and we refer to our plant, together with all its associated contracts and the gas and water infrastructure as “our project”.*

### Overview

Our project consists of a combined cycle power generation and seawater desalination plant in the Emirate of Fujairah with 760 MW of contracted net power capacity and 130 MIGD of net water capacity (comprising 67.5 MIGD of reverse osmosis (“**RO**”) desalination capacity and 62.5 MIGD of multi-stage flash desalination capacity). The original project entered into commercial operation in June 2004 with a contracted capacity of 535 MW and 100 MIGD (the “**Original Fujairah Plant**”) and an extension with a contracted capacity of 225 MW was successfully completed in March 2009 (the “**Fujairah Plant Extension**”), increasing the total net electrical contracted capacity to 760 MW (the Fujairah Plant Extension and the Original Fujairah Plant together being the “**Existing Fujairah Plant**”). The New RO Plant, which added an additional 30 MIGD of RO desalination capacity, was successfully completed in late 2015, with the commercial operation date of the New RO Plant being achieved on December 1, 2015.

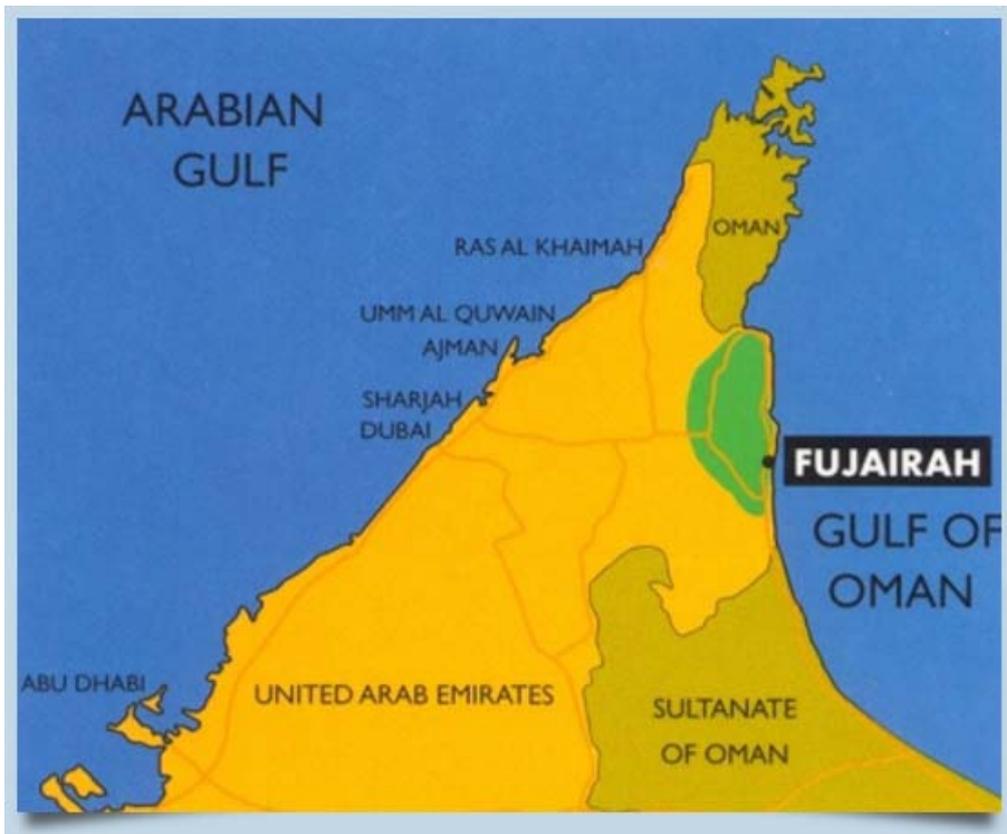
We generate our revenues pursuant to the Power and Water Purchase Agreement with ADWEC, which is indirectly wholly owned by the Government of the Emirate of Abu Dhabi. The terms of the Power and Water Purchase Agreement provide that our power generation and water production capacity is sold exclusively to ADWEC on a long-term take-or-pay basis. The power and water that we produce is used to meet the growing power and potable water demands of the United Arab Emirates.

We are incorporated as a private joint stock company (*sharikah mussahimah khassah*) duly organized and existing under the laws of the U.A.E. and the Emirate of Fujairah pursuant to Decree No. (8) of the Ruler of the Emirate of Fujairah dated April 8, 2006 and are registered with the Fujairah Municipality under No. 80089 dated September 12, 2017.

We are 60% owned by the Local Shareholder, which in turn is owned by our local sponsors, Abu Dhabi National Energy Company PJSC (“**TAQA**”) and Abu Dhabi Water and Electricity Authority (“**ADWEA**”), each of which is ultimately controlled by the Government of the Emirate of Abu Dhabi (the “**Local Sponsors**”). We are 40% owned by the International Shareholder, which in turn is wholly owned by our international sponsor, Sembcorp Utilities Pte Ltd (the “**International Sponsor**” or “**SCU**” and, together with the Local Sponsors, the “**Sponsors**”). The International Sponsor is a wholly owned subsidiary of Sembcorp Industries Ltd (“**SCI**”), which is listed on the main board of the Singapore Exchange, and is a component stock of the Straits Times Index and several other MSCI and FTSE indices. Temasek Holdings, which is wholly owned by the Singapore Government, owns approximately 49.5% of the shares in SCI. As at December 31, 2016, SCI had a market capitalization of approximately SGD 5,100,000,000. Besides the utilities business, SCI is also a world leader in offshore and marine engineering and an established brand name in urban development.

We are capitalized through a combination of share capital and subordinated shareholder loans provided by the Local Shareholder and the International Shareholder. Our Sponsors have a strong equity alignment with our project, as each, either directly or indirectly through its parent company, has made contributions to our share capital and has made available shareholder loans in an amount *pro rata* to its respective shareholding in us. As at December 31, 2015, our project’s total capital cost was approximately AED 6,160,194,000 (US\$1,677,420,883), which included all construction, insurance and related costs (including finance costs).

We manage the ownership, operation and maintenance of our project. Our plant site is located at Qidfa, in the Emirate of Fujairah, on the Gulf of Oman coast in the United Arab Emirates. A map of the United Arab Emirates with a dot representing where Qidfa is located in the Emirate of Fujairah, is shown below.



The operator of the Existing Fujairah Plant, pursuant to the Operation and Maintenance Agreement, is Sembcorp Gulf O&M Co Ltd (the “**Operator**”), which is a company with limited liability duly organized and existing under the laws of the British Virgin Islands, with its principal office at 171 Main Street, Road Town, Tortola, VG1110, British Virgin Islands, acting through its U.A.E. branch registered with the Fujairah Municipality under No. 16956 dated November 3, 2016 and is a wholly owned subsidiary of the International Sponsor. The Operator is managed locally and benefits from the expertise and procedures of our Sponsors who are well-established companies in the region, and whose interests are aligned with ours in ensuring that the Existing Fujairah Plant is efficiently operated and maintained. The operator of the New RO Plant (the “**DBO Contractor**”), pursuant to the design, build and operate agreement relating to the New RO Plant dated January 15, 2013 (the “**DBO Agreement**”) is an unincorporated joint venture between Acciona Agua S.A. and Acciona Infraestructuras S.A., each duly organized and existing under the laws of Spain, who are well-established companies and whose interests are aligned with ours in ensuring that the New RO Plant is also efficiently operated and maintained.

The combined cycle power generation and seawater desalination technology employed in our plant is a proven technology that has been implemented globally on numerous projects. The power plant consists of four 109 MW GE 9E gas turbines, a 219 MW GE 9FA gas turbine and two 119 MW Siemens steam turbines. The GE 9E and 9FA gas turbines were introduced into the global power market in 1978 and 1992, respectively, and are now well established with hundreds of units in operation worldwide. GE has a strong presence in the Middle East region and its F-class technology is industry-leading and the world’s largest fleet, with over 1,100 installed units. WSP (the “**Technical Adviser**”), who has been involved in our project since its inception as an independent technical adviser to our creditors, has concluded that the power plant technology used at our plant is considered to be proven and that the steam turbine model used at our plant is a proven conventional design and is a low risk technology.

The desalination units in operation consist of five 12.5 MIGD multi-stage flash distillation units supplied by Doosan, which is one of the major suppliers of large capacity multi-stage flash distillation units and has significant experience relating to projects in the Middle East region. The multi-stage flash distillation design has historically been the most widely used technology in the region. The existing 37.5 MIGD RO plant (the “**Existing RO Plant**”) is supplied by Degrémont and the New RO Plant consists of a 30 MIGD RO unit supplied by the DBO Contractor, both of whom have over 30 years’ experience using the RO technology. Given recent technological advancements, cost competitiveness and operational flexibility, RO technology has now become the desalination technology of choice in the GCC region. The Technical Adviser has reviewed the key technical design features of the desalination units installed in our plant and is satisfied that these are adequate for the required purpose.

While our project is physically located, and we are incorporated, in the Emirate of Fujairah, the Government of the Emirate of Abu Dhabi and the entities that it directly or indirectly owns are the key governmental stakeholders in our project. For example, the Government of the Emirate of Abu Dhabi controls 60% of the beneficial ownership of our project, is ultimately the sole purchaser of our power and water capacity and output under the Power and Water Purchase Agreement, and is the guarantor pursuant to an unconditional and irrevocable guarantee of the mandatory purchase payment obligations under the Power and Water Purchase Agreement, following termination of the Power and Water Purchase Agreement in certain circumstances.

We are integral to meeting the Emirate of Abu Dhabi's power and water demand and represent a key part of its successful privatization strategy for the power and water sectors. We are one of eleven power (or power and water) projects implemented or currently being implemented by the Government of the Emirate of Abu Dhabi through its wholly owned subsidiary, ADWEA, on a "build, own and operate" basis. Pursuant to the Water and Electricity Law, ADWEA has implemented all of the power (or power and water) projects under its privatization program (which includes projects in the Emirate of Abu Dhabi and in the Emirate of Fujairah, the "**ADWEA Privatization Program**") and has used a similar procurement and ownership template and contractual framework with each of the power (or power and water) projects. Currently, ten of these eleven power (or power and water) production projects under the ADWEA Privatization Program are in commercial operation. As at September 30, 2017, the net installed power and water capacity of the power (or power and water) projects under the ADWEA Privatization Program (excluding the solar photovoltaic project located at Sweihan that has recently commenced construction) was approximately 14,819 MW and 901 MIGD, respectively. ADWEC projects that the peak summer demand in the Emirate of Abu Dhabi for power and water will increase by approximately 27% and 11%, respectively, between 2017 and 2024. As at September 30, 2017, our project represented approximately 5.1% of the net installed power capacity and approximately 14.4% of the net installed water capacity of the power (or power and water) projects under the ADWEA Privatization Program. Given this continued projected growth in power and water demand, and the substantial power and water production capacity of our project, our project is critical to the existing and future supply of power and water to the Emirate of Abu Dhabi.

Because our project is critical to the power and water supply requirements of the Emirate of Abu Dhabi, we benefit from contractual and other support from the Government of the Emirate of Abu Dhabi and the entities owned by it. Under our Power and Water Purchase Agreement, ADWEC is obliged to pay capacity charges for 100% of the available power and water capacity of our plant, regardless of the dispatch level instructed by Abu Dhabi Transmission and Despatch Company ("**Transco**"). Deductions are made from the capacity charges only to the extent that our plant units are either not available or reduced in their availability pursuant to the terms of the Power and Water Purchase Agreement. The capacity charges are calculated so that they cover our debt service and other fixed costs, including fixed operating and maintenance costs, insurance costs and equity return. In addition to these capacity charges, we also receive output charges and supplemental charges to cover the variable costs of our production and supplemental fees for other specific costs. See "*Summary of Principal Project Documents—Power and Water Purchase Agreement*". Primary fuel is supplied to us free of charge by ADWEC, subject to us achieving the guaranteed heat rate (or guaranteed gas consumption), and backup fuel is currently sourced by us from ADNOC, subject to reimbursement by ADWEC under most circumstances if the backup fuel is used.

## **Our Strengths**

We believe our key strengths are as follows:

### ***Strength of Our Business Model and Underlying Contractual Framework***

#### ***Well-Established Contractual Framework***

Our project is the sixth of the ten operational power (or power and water) projects to have been implemented by the Government of the Emirate of Abu Dhabi through ADWEA on a "build, own and operate" basis under the ADWEA Privatization Program and therefore benefits from a well-established contractual framework. ADWEA has implemented all of the power (or power and water) projects under the ADWEA Privatization Program and has used a similar procurement and ownership template with a similar contractual framework with the other power and water projects under the ADWEA Privatization Program as with our project.

In the event of termination of the Power and Water Purchase Agreement, ADWEC is, in certain circumstances, including, an unremedied event of default by ADWEC, a prolonged event of government action or inaction, or EGAI, or prolonged force majeure event, or FME, preventing ADWEC from performing its obligations under the Power and Water Purchase Agreement and a prolonged EGAI preventing us from operating our plant or delivering Net Electrical Energy or Net Water Output, obligated to purchase our project at a price that is at least equal to the outstanding principal amount of, and the amount of accrued interest on, our borrowings (including the Bonds and Bond Redemption Amounts) as at the specified termination date under the Power and Water Purchase Agreement, together with certain termination costs, including Bond Redemption Amounts. See "*Summary of Principal Project Documents—Power and Water Purchase*

*Agreement—Consequences of Termination*”, “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Purchase Price*” and “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Termination Costs*”. In these circumstances, the obligation of ADWEC to pay this purchase price will be guaranteed by the Government of the Emirate of Abu Dhabi under the Procurer Credit Support. See “*Summary of Principal Project Documents—Guarantee of the Government of the Emirate of Abu Dhabi—Procurer Credit Support*”. We also benefit from minimal exposure to any fluctuations in the U.S. dollar/dirham peg, given that, pursuant to the Foreign Exchange Agreement, the Government of the Emirate of Abu Dhabi guarantees the U.S. dollar availability to convert dirham denominated termination payments due under the Power and Water Purchase Agreement. See “*Summary of Principal Finance Documents—Foreign Exchange Agreement*”.

Furthermore, we benefit from comprehensive insurance arrangements, including terrorism asset protection insurance and business interruption insurance. Our business interruption insurance covers loss of revenue, which in turn covers our debt coverage obligations. In the unlikely event of a reduction in availability and reduction in capacity charges due to an insured event we will be able to call on our business interruption insurance after a deductible period that will ensure 24 months of coverage of capacity charges, which in our view would allow us sufficient time to rectify the cause of such interruption. We are insured against sabotage and terrorism risks under a separate insurance policy which covers property damage and business interruption on a similar basis to the main All Risk Material Damage insurance, subject to an overall limit of US\$200,000,000 per occurrence. See “*Our Project—Insurance*”.

#### *Robust Payment Mechanics*

Under our Power and Water Purchase Agreement, we are entitled to receive capacity charges from ADWEC for the annually tested contracted power and water capacities of our plant, which we declare on a daily basis to Transco. Deductions are made from the capacity charges only to the extent that our plant units are either not available or reduced in their availability pursuant to the terms of the Power and Water Purchase Agreement. See “*Summary of Principal Project Documents—Power and Water Purchase Agreement*”. These capacity charges are payable by ADWEC regardless of the dispatch level instructed by Transco. This means that ADWEC is obliged to pay us capacity charges for 100% of the available power and water capacity of our plant. The capacity charges are calculated so that they cover our debt service and other fixed costs, including fixed operating and maintenance costs, insurance costs and equity returns. In addition, for the power and water that is made available for dispatch, ADWEC also pays us a variable output charge to cover our variable operating costs. Accordingly, we have strong predictability of cash flows that are not affected by the amount of power and water actually dispatched or required by ADWEC.

#### *Assured Fuel Supply from our Off-Taker*

All of the power (or power and water) projects under the ADWEA Privatization Program (except the solar photovoltaic project located at Sweihan) use natural gas as their primary fuel. Under the Power and Water Purchase Agreement, ADWEC is responsible for the procurement and delivery to our plant of all of our natural gas requirements at ADWEC’s own cost, subject to us achieving the guaranteed heat rate (or guaranteed gas consumption). In the event that natural gas is not available, and *provided that* we are not in breach of our obligations regarding the operation of our plant using backup fuel (as further described below), we are still entitled to receive the capacity charges from ADWEC. While using backup fuel, we are not subject to any reduction in the capacity charges that we receive from ADWEC, even in the event of reduced plant capacity. In addition, we are not required to adhere to efficiency criteria when using backup fuel, and do not have to meet any efficiency requirements in respect of the amount of backup fuel that we use. Accordingly, the risk associated with the supply, quality and price of gas required by our project is mitigated.

In the event, among others, of the non-availability of natural gas or a disruption in the natural gas supply system, we have an obligation under the Power and Water Purchase Agreement to maintain a backup fuel supply for seven days of full load at our project site (for continuous operation), purchased by us (for the time being from ADNOC). The cost of backup fuel utilized by us in most circumstances would be passed through to ADWEC under the terms of the Power and Water Purchase Agreement, in the form of a supplemental charge payable to us by ADWEC. See “*Summary of Principal Project Documents—Power and Water Purchase Agreement*”.

If ADWEC were to fail to supply natural gas (and such failure is not attributable to us), such event would qualify as an event of government action or inaction under the Power and Water Purchase Agreement, and ADWEC would be obligated to continue to pay capacity charges, which would continue to support the payments of our debt (including the Bonds and Bond Redemption Amounts). See “*Summary of Principal Project Documents—Power and Water Purchase Agreement— Force Majeure and Government Action or Inaction*”.

#### *Robust Hedging and Financial Risk Mitigation Arrangements*

Under the terms of our financing agreements, following issuance of the Bonds, our project will be exposed to

limited interest rate exposure because, pursuant to the Hedging Policy, at all times from the expiry of the Hedge Grace Period until January 31, 2029 (the “**Term Final Maturity Date**”), we are required to be a party to one or more US\$ LIBOR/fixed rate interest rate swaps for an amount not less than, for any period, approximately 80% of the maximum aggregate principal amount that is outstanding during that period under the Senior Debt (other than the total principal amount of the Bonds and any other Senior Debt subject to fixed rate interest), in each case projected and estimated in the then current Project Forecast to be outstanding at any time during that period, assuming full compliance by us with our repayment obligations pursuant to the Hedging Policy. In addition, from the expiry of the Hedge Grace Period until the Term Final Maturity Date, we intend to voluntarily hedge approximately 100% of our Senior Debt subject to floating rate interest.

Furthermore, the risk of any de-pegging or movement between the dirham and U.S. dollar exchange rate is passed through to ADWEC (as our off-taker), under the indexation provisions of the Power and Water Purchase Agreement, which also covers us against certain operational risks associated with increased inflation. See “*Summary of Principal Project Documents—Power and Water Purchase Agreement*”. In any case, we would be permitted under the Finance Documents to put any necessary hedging arrangements in place in the future to protect us against any de-pegging or movement between the dirham and U.S. dollar exchange rate.

### ***Strength of our Project***

#### *Strategic Importance*

The power and water sectors are of high strategic importance to the Emirate of Abu Dhabi and the United Arab Emirates as a whole. Given that as at September 30, 2017, we supplied approximately 5.1% of the net installed power capacity and approximately 14.4% of the net installed water capacity of the power (or power and water) projects under the ADWEA Privatization Program, our project is likely to remain critical to the continued supply of power and water to the Emirate of Abu Dhabi. In addition, ADWEC projects that the peak summer demand in the Emirate of Abu Dhabi for power and water will increase by approximately 27% and 11%, respectively, between 2017 and 2024. The critical nature of our project to the power and water sector in the Emirate of Abu Dhabi is illustrated by the involvement of the Government of the Emirate of Abu Dhabi at various levels of our project as set out below. This involvement creates a strong alignment of interests which distinguishes our project from others around the world.

The Government of the Emirate of Abu Dhabi, both directly and indirectly (through its wholly owned subsidiary ADWEA), participates in and supports our project as follows:

- (a) as *off-taker*, as 100% indirect owner of ADWEC, the sole purchaser of our power and water capacities and output under the Power and Water Purchase Agreement. In the event of termination of the Power and Water Purchase Agreement, ADWEC is, in certain circumstances, obligated to purchase our project at a price that is sufficient to cover the outstanding principal amount of, and accrued interest on, our debt obligations (including the Bonds and Bond Redemption Amounts). See “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Consequences of Termination*”, “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Purchase Price*” and “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Termination Costs*”;
- (b) as *supplier*, as 100% indirect owner of ADWEC, which is responsible for procuring and delivering all natural gas to our plant at ADWEC’s cost;
- (c) as *majority owner*, as 100% owner of ADWEA and majority indirect owner of TAQA, who together indirectly hold a 60% interest in us;
- (d) as *lessor*, as 100% owner of ADWEA, which is the grantor and ground lessor of the leased premises on which our plant site sits;
- (e) as *back-up fuel supplier*, as 100% owner of ADNOC, which is responsible for delivering all back-up fuel to our plant, the cost of which is reimbursed by ADWEC in most circumstances;
- (f) as *transmission system operator*, as 100% indirect owner of Transco, which is the owner and operator of all power and water transmission facilities in the Emirate of Abu Dhabi; and
- (g) as *guarantor*, pursuant to the Government of the Emirate of Abu Dhabi’s unconditional and irrevocable guarantee of ADWEC’s mandatory purchase payment obligations upon termination of the Power and Water Purchase Agreement in certain circumstances.

*Fully Operational Project with a Strong Operator and DBO Contractor*

As a fully operational project, we are not exposed to any construction risk and have been in stable operation for almost thirteen years in respect of the Original Fujairah Plant and approximately eight years in respect of the Fujairah Plant Extension. We have been in stable operation since February 2017 in respect of the New RO Plant.

The Existing Fujairah Plant is operated by the Operator in accordance with the Operation and Maintenance Agreement, the term of which is 20 years from December 1, 2015 (the “**New RO Plant Commercial Operation Date**”). The Operator is a wholly owned subsidiary of the International Sponsor and has been operating the Existing Fujairah Plant for over eleven years. The commonality of ownership between the Operator and us means that there is a strong alignment of interest which ensures that the Existing Fujairah Plant is operated effectively.

The operation and maintenance of the New RO Plant for the first seven years following the New RO Plant Commercial Operation Date is being performed by the DBO Contractor, under the DBO Agreement, following which the responsibility for such operation and maintenance will be assumed by the Operator under the Operation and Maintenance Agreement. The DBO Contractor is an unincorporated joint venture between Acciona Agua S.A. and Acciona Infraestructuras S.A., each duly organized and existing under the laws of Spain, who are well-established companies and whose interests are aligned with ours in ensuring that the New RO Plant is also efficiently operated and maintained. See “*Our Project—Our Operations*”.

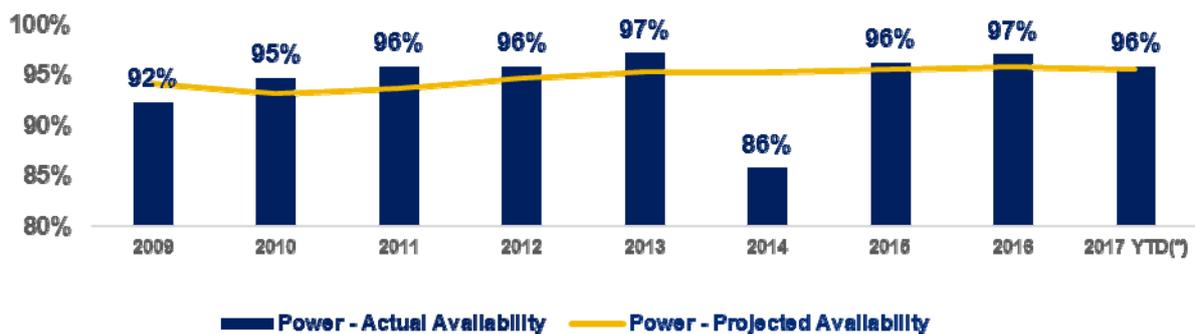
In addition, the Technical Adviser has concluded that the power plant technology used at our plant is considered to be proven and that the steam turbine model used at our plant is a proven conventional design and is a low risk technology. The Technical Adviser has also reviewed the key technical design features of the desalination units installed in our plant and is satisfied that these are adequate for their required purpose.

*Strong Operational Track Record*

Since 2009, our plant has demonstrated high power and water availability, exceeding projected availability levels (except in 2014 when we experienced a period of reduced power availability due to an outage attributable to the failure of a compressor on a 9FA turbine that occurred in May 2014). Our plant performance has been averaging at 94.5% for power and 96.3% for water (excluding the New RO Plant) from January 2009 to September 2017 (inclusive), consistently exhibiting strong operating performance.

The following charts illustrate the historical and projected power and water availability levels for our plant from January 2009 to September 2017 (inclusive).

Power



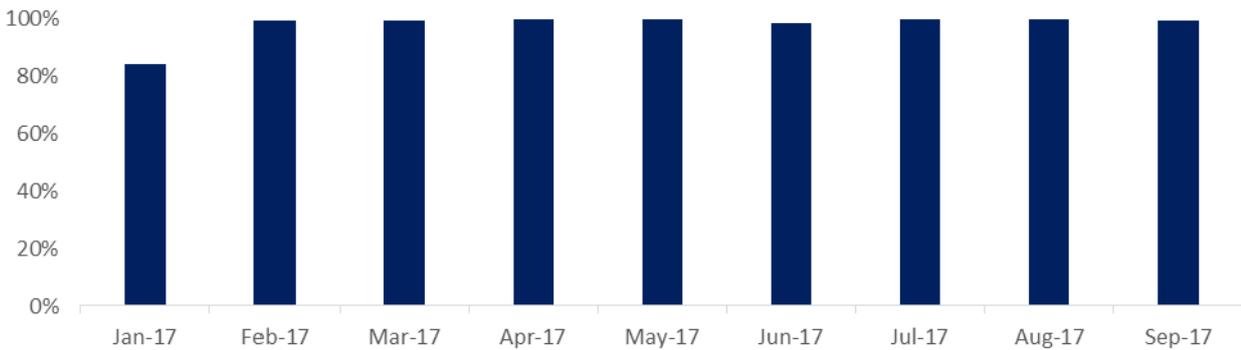
(\*) As at September 30, 2017

Water (Excluding New RO Plant)



(\*) As at September 30, 2017

The following chart illustrates the historical availability levels for the New RO Plant from January 2017 to September 2017 (inclusive).

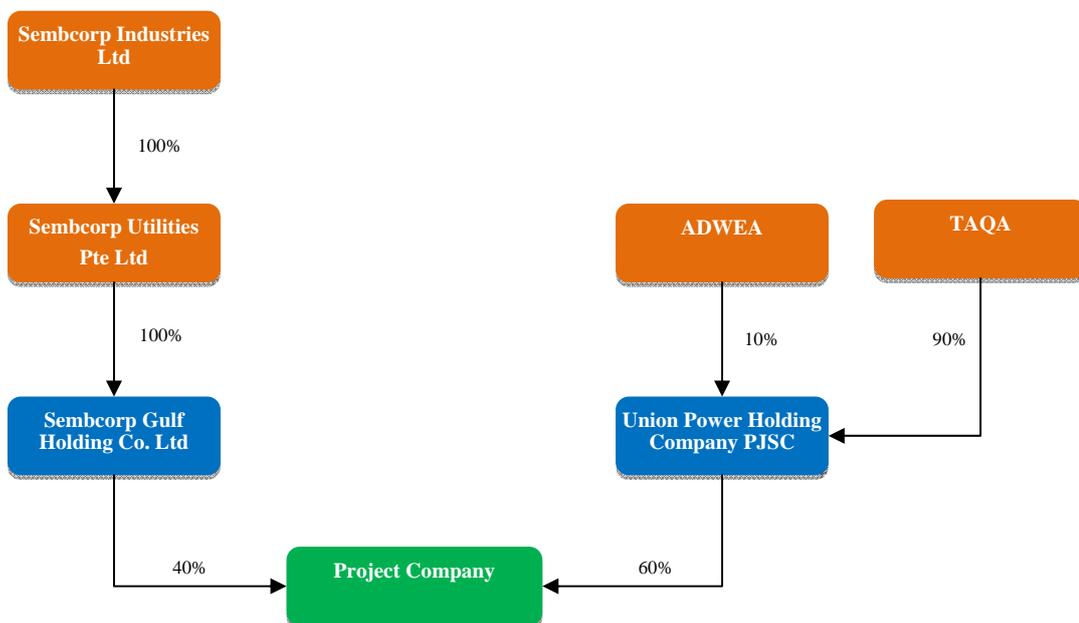


*Strength of Our Sponsors*

We benefit from the extensive power, water and energy experience of our Sponsors, who include developers, owners and operators of large scale gas turbine-based power and desalination projects both internationally and in the United Arab Emirates. Our project is strategically important to all three of our Sponsors, who provide us with technology and expertise that is critical to our operational success.

**Our Sponsors**

The following diagram sets out our current ownership structure:



Below is a short summary about each of our Sponsors.

### ***Local Sponsors***

Our Local Sponsors have an indirect interest in us through their respective ownership interest in the Local Shareholder. TAQA holds a 90% ownership interest in the Local Shareholder and ADWEA holds a 10% ownership interest in the Local Shareholder. A brief description of each of the Local Sponsors is set out below.

#### ***ADWEA***

Pursuant to the Water and Electricity Law, the Government of the Emirate of Abu Dhabi established ADWEA in 1998 with a mandate to implement the Government of the Emirate of Abu Dhabi's policy regarding the water and electricity sector, including the long-term partial privatization program of the water and electricity sector in the Emirate of Abu Dhabi. ADWEA is currently engaged with the eleven power (or power and water) projects under the ADWEA Privatization Program under which ADWEA (directly and indirectly) controls a 60% interest in each of such projects. ADWEA also manages a number of wholly owned subsidiaries responsible for different activities in the water and electricity sector including, AADC, ADDC, ADWEC and Transco. See "*Description of Our Sponsors—Our Sponsors—Local Sponsors—ADWEA*".

#### ***TAQA***

TAQA was established in June 2005 pursuant to Emiri Decree (16) of 2005 as a public joint stock company wholly owned by ADWEA. In August 2005, TAQA's shares were listed on the Abu Dhabi Securities Exchange and a concurrent equity offering reduced ADWEA's shareholding in TAQA to 51% of its share capital. During the third quarter of 2008, following the issuance of mandatory convertible bonds and the conversion of the bonds into ordinary shares, ADWEA's shareholding increased to 52.38%. In April 2017, ADWEA bought the Fund for the Support of Farm Owners' shareholding, thereby increasing its shareholding in TAQA to approximately 74%. TAQA'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, India and the United States. In addition to its interests in the power and water sector, TAQA focuses on oil and gas exploration and production and gas storage in diverse geographies. TAQA has been assigned ratings of A- (negative outlook) by S&P as at April 25, 2017 and A3 (stable outlook) by Moody's as at June 23, 2015. See "*Description of Our Sponsors—Our Sponsors—Local Sponsors—TAQA*".

### ***International Sponsor***

The International Sponsor has an indirect interest in us through its 100% ownership interest in the International Shareholder. A brief description of the International Sponsor is set out below.

#### ***Sembcorp Utilities Pte Ltd***

The International Sponsor is a wholly owned subsidiary of Sembcorp Industries Ltd ("**SCI**"), which is listed on the main board of the Singapore Exchange, and is a component stock of the Straits Times Index and several other MSCI and FTSE indices. Temasek Holdings, which is wholly owned by the Singapore Government, owns approximately 49.5% of the shares in SCI. As at December 31, 2016, SCI had a market capitalization of approximately SGD 5,100,000,000. Besides the utilities business, SCI is also a world leader in offshore and marine engineering and an established brand name in urban development.

The International Sponsor is a leading developer, owner and operator of energy and water assets with strong operational and technical capabilities. It operates on five continents with an established presence in Asia and a strong growing presence in emerging markets around the world.

The International Sponsor has around 11,000 MW of power capacity installed and under development worldwide and is able to generate energy from a variety of fuels including renewable sources. It also has over 1,980 MIGD of water capacity installed and under development worldwide. The International Sponsor has been responsible for operating Salalah IWPP's 15 MIGD RO plant since March 2012, located in Oman, with availability figures exceeding contractual requirements. The International Sponsor has also been responsible for operating Changi NEWater RO plant for seven years and Jurong RO water treatment plant for over fifteen years, both located in Singapore. It applies technology to produce energy in ways that are considerate for the environment, and creates innovative solutions for clean, sustainable water. As Singapore's leading water management company with close to nine million cubic meters per day of water capacity in operation and under development worldwide, it has the expertise to provide total water and wastewater solutions for both the industrial and municipal sectors. It also provides integrated solid waste management services in Singapore. Using its integrated group strength, it has established itself as a global leader in the provision of

energy, water and on-site logistics to multiple customers on industrial sites.

### **Our Shareholders**

For a brief description of each of our Shareholders and certain of our other indirect holding companies see “*Our Project—Our Shareholders*”.

## Summary of Our Historical Financial and Other Data

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Nine-Month Period Ended September 30, 2016	Nine-Month Period Ended September 30, 2017
<i>(AED thousands)</i>					
<b>Income Statement Data</b>					
<b>Revenues</b>	<b>579,626</b>	<b>627,305</b>	<b>722,722</b>	<b>543,882</b>	<b>541,590</b>
Operating lease revenue.....	561,581	606,210	698,171	534,173	523,418
Energy payments and other related revenue.....	17,518	20,961	24,255	9,515	18,056
Supplemental fuel income .....	527	134	296	194	116
<b>Cost of sales</b>					
Depreciation of property, plant and equipment.....	(167,920)	(172,760)	(200,267)	(150,627)	(148,784)
Operating and maintenance charges .....	(104,288)	(126,574)	(125,402)	(95,816)	(88,211)
Fuel expenses.....	(736)	(494)	(543)	(273)	(154)
Insurance.....	(9,649)	(10,008)	(10,812)	(8,174)	(7,539)
<b>Gross profit</b> .....	<b>297,033</b>	<b>317,469</b>	<b>385,698</b>	<b>288,992</b>	<b>296,902</b>
Other income .....	32,092	221	1,790	-	2,808
Provision for slow moving and obsolete inventories .....	(1,368)	(1,225)	(1,185)	(1,044)	(891)
General and administrative expenses.....	(15,456)	(16,033)	(18,675)	(13,723)	(13,543)
<b>Operating Profit</b>	<b>312,301</b>	<b>300,432</b>	<b>367,628</b>	<b>274,225</b>	<b>285,276</b>
Finance costs.....	(240,758)	(244,318)	(251,628)	(189,291)	(180,674)
Finance income.....	181	184	409	209	977
<b>Net finance costs</b>	<b>(240,577)</b>	<b>(244,134)</b>	<b>(251,219)</b>	<b>(189,082)</b>	<b>(179,697)</b>
<b>(Loss)/profit for the year/period</b> .....	<b>71,724</b>	<b>56,298</b>	<b>116,409</b>	<b>85,143</b>	<b>105,579</b>

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Nine-Month Period Ended September 30, 2016	Nine-Month Period Ended September 30, 2017
<i>(AED thousands)</i>					
<b>(Loss)/profit for the year/period</b> .....	<b>71,724</b>	<b>56,298</b>	<b>116,409</b>	<b>85,143</b>	<b>105,579</b>
<b>Other comprehensive (loss)/income for the year/period</b>					
Reclassification adjustment for losses included in profit or loss..	194,288	187,142	160,849	122,572	103,573
Changes in the fair value of derivative financial instruments.	(142,408)	(82,554)	(16,127)	(82,228)	(21,627)
<b>Net comprehensive income to be reclassified to profit/(loss) in subsequent periods</b> .....	<b>51,880</b>	<b>104,588</b>	<b>144,722</b>	<b>40,344</b>	<b>81,946</b>
<b>Total comprehensive (loss)/income for the year/period</b> .....	<b>123,604</b>	<b>160,886</b>	<b>261,131</b>	<b>125,487</b>	<b>187,525</b>

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Nine-Month Period Ended September 30, 2016	Nine-Month Period Ended September 30, 2017
<i>(AED thousands)</i>					
<b>Non-IFRS Measures<sup>(1)</sup></b>					
EBIT .....	312,301	300,432	367,628	274,225	285,276
EBITDA.....	480,221	473,192	567,895	424,852	434,060

(1) We define EBIT as net profit before interest (net) and taxes and EBITDA as net profit before interest (net), taxes, depreciation and amortization. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe our Non-IFRS Measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe that our Non-IFRS Measures and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. Our Non-IFRS Measures are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Our Non-IFRS Measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Because of these limitations, our Non-IFRS Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our Financial Statements and using these Non-IFRS Measures only supplementally to evaluate our performance. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures".

Set forth below is a reconciliation of each of EBIT and EBITDA to earnings after taxes which we believe is their closest comparable IFRS measure.

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Nine-Month Period Ended September 30, 2016	Nine-Month Period Ended September 30, 2017
	<i>(AED thousands)</i>				
<b>(Loss)/profit for the year/period.....</b>	<b>71,724</b>	<b>56,298</b>	<b>116,409</b>	<b>85,143</b>	<b>105,579</b>
Finance costs .....	240,758	244,318	251,628	189,291	180,674
Finance income.....	(181)	(184)	(409)	(209)	(977)
<b>EBIT.....</b>	<b>312,301</b>	<b>300,432</b>	<b>367,628</b>	<b>274,225</b>	<b>285,276</b>
Depreciation of property, plant and equipment .....	167,920	172,760	200,267	150,627	148,784
<b>EBITDA.....</b>	<b>480,221</b>	<b>473,192</b>	<b>567,895</b>	<b>424,852</b>	<b>434,060</b>

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Nine-Month Period Ended September 30, 2016	Nine-Month Period Ended September 30, 2017
	<i>(AED thousands)</i>				

#### Cash Flow Statement Data

Net cash from operating activities.....	536,796	460,556	564,309	526,290	375,553
Net cash used in investing activities.....	(392,869)	(187,899)	(4,959)	(3,345)	(3,429)
Net cash used in financing activities.....	(193,333)	(321,360)	(596,916)	(702,703)	(429,429)
<b>Cash and cash equivalents .....</b>	<b>337,529</b>	<b>288,826</b>	<b>251,260</b>	<b>109,068</b>	<b>193,955</b>

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At September 30, 2016	At September 30, 2017
	<i>(AED thousands)</i>				

#### Balance Sheet

Non-current assets (plant, property and equipment).....	4,663,285	4,696,156	4,500,070	4,500,070	4,353,824
Current assets.....	669,459	584,425	551,218	551,218	498,310
<b>Total assets .....</b>	<b>5,332,744</b>	<b>5,280,581</b>	<b>5,051,288</b>	<b>5,051,288</b>	<b>4,852,134</b>
<b>Total equity.....</b>	<b>43,417</b>	<b>167,553</b>	<b>355,184</b>	<b>355,184</b>	<b>505,961</b>
Non-current liabilities.....	4,818,363	4,657,145	4,255,938	4,255,938	4,000,171
Current liabilities .....	470,964	455,883	440,166	440,166	346,002
<b>Total liabilities .....</b>	<b>5,289,327</b>	<b>5,113,028</b>	<b>4,696,104</b>	<b>4,696,104</b>	<b>4,346,173</b>
<b>Total equity and liabilities .....</b>	<b>5,332,744</b>	<b>5,280,581</b>	<b>5,051,288</b>	<b>5,051,288</b>	<b>4,852,134</b>

#### Sources and Uses

The estimated sources and uses of funds to be raised by us from the offering of the Bonds are set out in the following table.

Sources of Funds	US\$ Million	Uses of Funds	US\$ Million
Bonds offered hereby .....	400.0	Partial prepayment of the Term Facility <sup>(1)</sup> .....	178.3

	Repayment of Subordinated Advances .....	120.4
	Funding of the Debt Service Reserve Account <sup>(2)</sup>	53.3
	Transaction costs (including swap break costs) <sup>(3)</sup> .....	48.0
<b>Total Sources</b> .....	<b>Total Uses</b> .....	<b>400.0</b>
		<b>400.0</b>

- (1) See “*Summary of Principal Finance Documents—Global Amendment and Restatement Agreement—Prepayment of Term Banks and Transfer of Participations*”.
- (2) The funding of the Debt Service Reserve Account is an estimated amount and may be impacted by funding cost. Pursuant to the terms of the Common Terms Agreement, the cash funded into the Debt Service Reserve Account may be transferred to the Distribution Accounts in the future if a letter of credit is provided. See “*Summary of Principal Finance Documents—Common Terms Agreement—Debt Service Reserve Account*”.
- (3) The payment of transaction costs is an estimated amount and may be subject to change. Any remaining amount may be paid as dividends.

### Summary of the Independent Technical Due Diligence Report

The Technical Adviser has prepared an independent technical due diligence report dated October 2017 (the “**Independent Technical Due Diligence Report**”), which is attached as Annex C. The Technical Adviser is an international consulting firm that provides technical and consulting services to the energy and process industries. In the Independent Technical Due Diligence Report, based upon available information and certain assumptions, the Technical Adviser:

- (a) reviews the design parameters of our plant in terms of its technical and environmental performance;
- (b) summarizes the completion tests carried out on our plant and the results/performance of our plant achieved against the guarantees required under the Power and Water Purchase Agreement and the DBO Agreement, and provides an opinion on the capacities margins established in order to satisfy the long-term contracted capacities for the term of the Power and Water Purchase Agreement;
- (c) reviews and comments on any significant outstanding technical issues identified during commercial operation and the agreed action plan to address these matters;
- (d) provides an overview of the commercial operation of our plant to date;
- (e) reviews and comments on the development of the New RO Plant and the testing regime and the ability of our plant to meet the required capacities under the Power and Water Purchase Agreement; and
- (f) reviews and comments on the technical and operational assumptions for our project contained in a version of our financial model (the “**Computer Model**”).

The Technical Adviser’s conclusions, and the summary thereof set out below, are subject to the assumptions and qualifications set forth in the Independent Technical Due Diligence Report and should be read in conjunction with the full text of the Independent Technical Due Diligence Report. The Technical Adviser’s conclusions are based on a version of the Computer Model previous to the version of the Computer Model presented elsewhere in this Offering Memorandum under “—*The Computer Model*” and “*Summary of Computer Model*”. There can be no assurance that the Technical Adviser would have reached the same conclusions if the Technical Adviser had reviewed the version of the Computer Model summarized in those sections.

### Summary of Main Points and Issues

The Technical Adviser has determined that:

- (a) our plant’s design, technology and engineering satisfy and are consistent with the operational requirements specified in the Power and Water Purchase Agreement and are considered to represent international best practice for large CCGT power and desalination projects;
- (b) our project documentation is mature and well developed. Under the Power and Water Purchase Agreement, our plant is required to provide power and desalinated water for 20 years following the New RO Plant Commercial Operation Date. The Operation and Maintenance Agreement covers the necessary operating period activities (including the scheduled maintenance of the gas turbines) and has the Operator covering the operating risks up to identified limits;

- (c) the results of our plant's net capacity tests for the years 2009 to 2016 show an average net power output margin of 3.0% better than the contracted capacity under the Power and Water Purchase Agreement. This margin is better than typically demonstrated on comparable projects;
- (d) the results of our plant's net capacity tests for the years 2009 to 2016 show an average net water production capacity margin of 2.3% better than the contracted capacity under the Power and Water Purchase Agreement. This margin is consistent with other comparable projects;
- (e) historically, the only requirement for a heat rate test to be conducted was under the Shareholders' Agreement at the commercial operation date of the Fujairah Plant Extension in March 2009. This test resulted in a net heat rate of 9,748 kJ/kWh, which was slightly higher than the Power and Water Purchase Agreement net heat rate of 9,700 kJ/kWh. However, the Shareholders' Agreement allowed for an uncertainty to be included which relaxed the declared net heat rate to 9,668 kJ/kWh, thus allowing the contractual value to be met;
- (f) the performance margins demonstrated provide confidence that the long-term contracted power capacity, contracted water capacity and contracted specific net heat rate can be achieved throughout the term of the Power and Water Purchase Agreement;
- (g) during the commissioning phase of our project and during commercial operation of our plant to date, a small number of technical issues arose that required resolution by the DBO Contractor and the Operator;
- (h) with the exception of the 9FA compressor blade issue in May 2014, the site has generally achieved a power availability above 94% and a water availability above 96%. These values demonstrate good levels of availability;
- (i) based on the design of our plant and the operation and maintenance arrangements in place, our plant is capable of achieving the technical assumptions set out in the Computer Model;
- (j) the power and water availability is in alignment with the planned and unplanned outage schedule;
- (k) the Power and Water Purchase Agreement contractual data is in alignment with the Computer Model;
- (l) the forecast operating and maintenance costs under the Operation and Maintenance Agreement are reasonable and are typical for a plant of this age and configuration; and
- (m) it understands that allowance has been made in the Computer Model for an increase in the Contractual Services Agreement costs projected following the expiry of the existing Contractual Services Agreement in 2029 until 2035. This cost increase is based on estimates provided by us following discussions with GE and reflects a conservative estimate of increased Contractual Services Agreement costs as a result of an extension of the current contractual arrangements. We are to wait until nearer the expiry of the existing Contractual Services Agreement to determine our strategy concerning extending the existing Contractual Services Agreement based on operational history. We could be held economically harmless by these increased cost projections through the corresponding increase in the fixed operation and maintenance cost recovery charge rate component in the PWPA.

## **The Computer Model**

### ***Summary of the Computer Model***

The following information from the Computer Model should be read together with the information contained in "*Disclosure Regarding Forward-Looking Statements*", "*Risk Factors*", "*Selected Financial Data*", "*Operating and Financial Review*" and our Financial Statements and related notes.

The results of the Computer Model are not projections or predictions. A financial model simply illustrates hypothetical results that are mathematically derived from specified assumptions. The Computer Model was designed as a financial forecasting and evaluation tool and not as an operational model. Thus, it will not readily allow comparisons of actual results against forecasts and does not include an ongoing budget comparison facility. The Computer Model has been prepared in U.S. dollars using an exchange rate of AED 3.67242 = US\$1.00 as described in "*Presentation of Financial and Other Information*". All figures set forth in the Computer Model are six-month semi-annual as at January 31 and July 31 of each year and reflect the repayment dates under the Term Facility Agreement that occur on February 1 and August 1 of each year.

The inclusion of information derived from the Computer Model should not be regarded as a representation by us, our Sponsors, the Initial Purchasers or any other person that the results of the Computer Model will be achieved. Actual capacity, availability, dispatch and production levels, heat-rate, operating, maintenance and capital costs, and interest and inflation rates will almost certainly differ from those assumed for the purposes of any run of the Computer Model. Accordingly, our actual performance and cash flows for any future period will almost certainly differ significantly from those shown by the results of the Computer Model. Prospective purchasers of the Bonds are cautioned not to place undue reliance on the performance or cash flows in the information derived from the Computer Model and should make their own independent assessment of our future results of operations, cash flows and financial condition. KPMG Lower Gulf Limited have not examined the Computer Model and therefore do not express an opinion on it.

We engaged Operis Business Engineering Limited (the “**Model Auditor**”) to review and provide a Model Auditor Report, dated November 29, 2017, on the Computer Model. Subject to the assumptions and comments provided by the Model Auditor in the Model Auditor Report, and subject to certain representations received by the Model Auditor from us upon which it has relied, the Model Auditor concluded that the Computer Model:

- (a) is logically constructed, internally consistent and is arithmetically accurate, in all material respects, in terms of its formulae, algorithms and calculations;
- (b) reflects, in all material respects the provisions of relevant extracts of our project’s financing and project documentation, as provided to the Model Auditor;
- (c) reflects, in all material respects, assumptions which are consistent with the Model Auditor’s understanding of the relevant provisions of current IFRS as applicable to us; and
- (d) is sufficiently robust to run the agreed sensitivities, and produce outputs consistent with the changes made to assumptions.

The Model Auditor’s work was limited to the matters set out in the paragraph above and accordingly did not include any form of review of the commercial merits, technical feasibility or the factual accuracy of the Computer Model’s input data except as noted above. Furthermore, the Model Auditor did not consider the validity of the underlying technical assumptions, which are outside its expertise, and its review of the relevant extracts of our project’s commercial and financing documentation was solely in its capacity as the Model Auditor. The Model Auditor independently audited the Computer Model based upon available information and assumptions provided by us and our advisers.

In addition, we engaged the Technical Adviser to review the assumptions that are associated with our project’s operating, maintenance and capital costs in the Computer Model, including the technical assumptions for the base scenario (the “**Base Case**”) presented in the Computer Model, for consistency with the commercial terms of our project’s financing and project agreements. Using its in-house database of operating and maintenance costs such as scheduled and general maintenance, consumables, spare parts and labor for similar types and capacity of power and desalination units, the Technical Adviser concluded that the values reflected in the Computer Model of annual average operating and maintenance costs (excluding insurance costs) are fair reflections of current pricing within the industry. The Technical Adviser has not investigated the impact of changes in non-technical parameters, including interest and inflation rates, tax or financing assumptions. Please refer to the full text of the Independent Technical Due Diligence Report for a complete discussion of the assumptions and qualifications to which the conclusions in the Independent Technical Due Diligence Report are subject.

In addition, sensitivities against the Base Case assumptions outlined in the Computer Model have been performed. These sensitivities are set out in further detail in “*Summary of the Computer Model—Sensitivity Cases*”.

The following does not purport to be complete and is subject to, and qualified in its entirety by reference to, the discussion of the results of the Base Case presented in the Computer Model and the relevant assumptions contained in the Independent Technical Due Diligence Report. The underlying drivers of the assumptions contained in the Computer Model are the Power and Water Purchase Agreement, the Operation and Maintenance Agreement and the financing agreements. See “*Summary of the Computer Model*”.

#### ***Summary of Significant Base Case Assumptions from the Computer Model***

In connection with the refinancing of our plant, we prepared assumptions for revenue and operating, maintenance and capital costs and engaged the Technical Adviser to prepare the Independent Technical Due Diligence Report. For certain assumptions, the Computer Model uses information from us regarding the estimated revenue and operating, maintenance and capital costs. Please refer to the full text of the Independent Technical Due Diligence Report

for a complete discussion of the assumptions and qualifications to which the conclusions in the Independent Technical Due Diligence Report are subject.

### **Base Case Financial Summary**

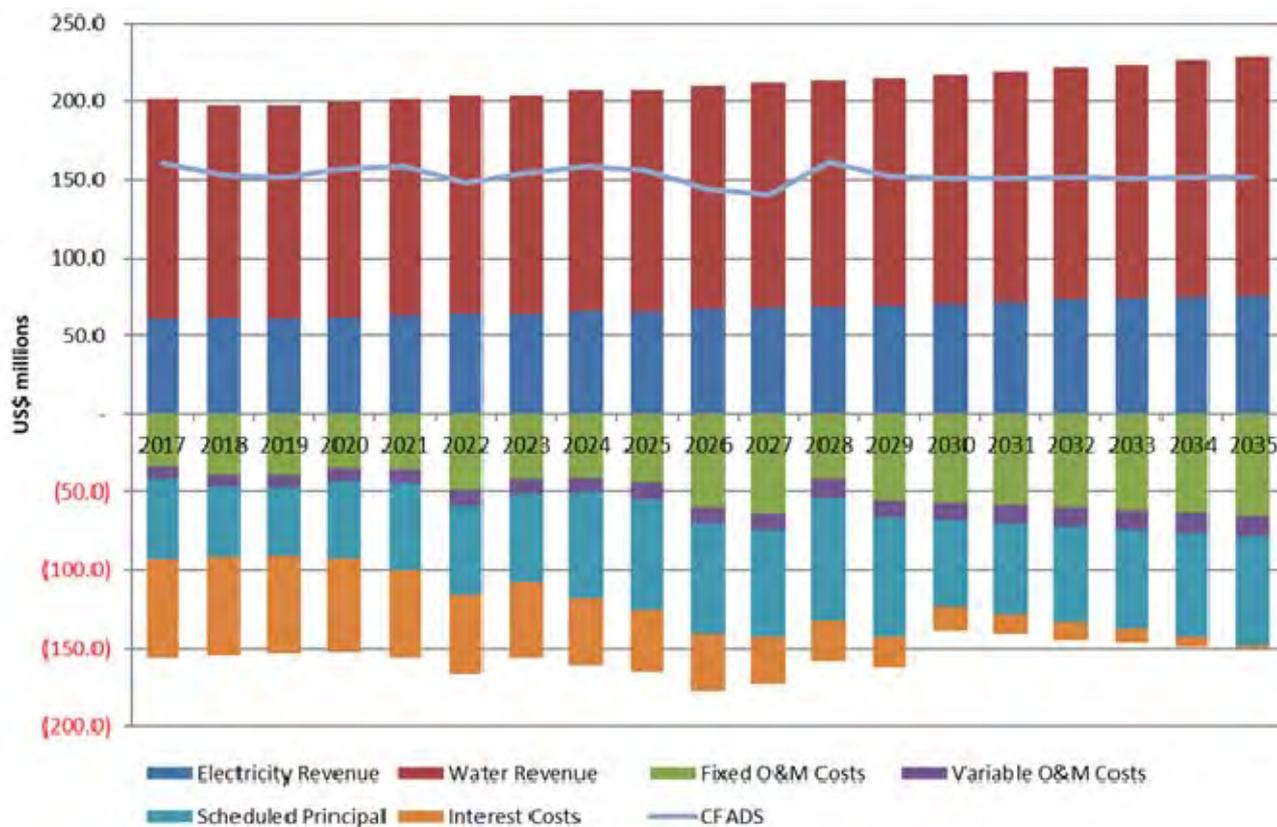
The Base Case cash flows produced by the Computer Model are summarized below (in US\$ millions).

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Electricity Revenue.....	61.6	62.2	61.0	62.3	63.5	64.8	64.4	66.6	65.9	67.7
Water Revenue .....	139.5	135.0	135.9	137.1	137.6	138.5	139.4	140.8	141.4	142.4
<b>Total Operating Revenue .....</b>	<b>201.1</b>	<b>197.2</b>	<b>196.9</b>	<b>199.4</b>	<b>201.1</b>	<b>203.3</b>	<b>203.9</b>	<b>207.4</b>	<b>207.3</b>	<b>210.1</b>
Fixed O&M .....	(33.5)	(38.7)	(38.9)	(34.8)	(35.5)	(48.9)	(42.0)	(40.9)	(43.8)	(59.4)
Variable O&M.....	(8.1)	(8.3)	(8.6)	(8.8)	(9.1)	(9.4)	(9.6)	(9.9)	(10.2)	(10.5)
<b>Total Operating and Maintenance Costs.....</b>	<b>(41.5)</b>	<b>(47.0)</b>	<b>(47.5)</b>	<b>(43.7)</b>	<b>(44.6)</b>	<b>(58.3)</b>	<b>(51.6)</b>	<b>(50.8)</b>	<b>(54.0)</b>	<b>(69.9)</b>
Net (Increase)/Decrease in Working Capital .....	0.4	0.7	0.0	(0.5)	(0.1)	0.6	(0.6)	(0.4)	0.4	0.8
Cash Flow Available for Debt Service <sup>(1)</sup> .....	161.0	153.4	151.9	157.8	159.0	148.1	154.2	158.7	156.2	143.4
Principal Repayments .....	51.5 <sup>(2)</sup>	44.0	43.0	48.2	55.7	57.0	56.3	66.4	71.2	71.8
Interest Costs .....	63.2	63.7	62.6	60.4	55.5	51.7	48.0	44.1	40.0	35.2
Total Debt Service.....	114.7	107.7	105.6	108.7	111.1	108.7	104.3	110.5	111.1	107.0
DSCR.....	1.46x	1.43x	1.43x	1.42x	1.43x	1.43x	1.42x	1.43x	1.42x	1.41x
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	
Electricity Revenue.....	68.7	69.0	69.6	70.5	71.4	72.5	73.3	74.3	75.3	
Water Revenue .....	143.4	144.9	145.6	146.8	148.0	149.6	150.5	151.7	153.1	
<b>Total Operating Revenue .....</b>	<b>212.1</b>	<b>213.9</b>	<b>215.3</b>	<b>217.3</b>	<b>219.4</b>	<b>222.2</b>	<b>223.8</b>	<b>226.0</b>	<b>228.4</b>	
Fixed O&M .....	(63.5)	(41.5)	(54.6)	(56.2)	(57.9)	(59.7)	(61.5)	(63.3)	(65.2)	
Variable O&M.....	(10.8)	(11.2)	(11.5)	(11.9)	(12.2)	(12.6)	(13.0)	(13.3)	(13.7)	
<b>Total Operating and Maintenance Costs.....</b>	<b>(74.4)</b>	<b>(52.7)</b>	<b>(66.1)</b>	<b>(68.1)</b>	<b>(70.1)</b>	<b>(72.2)</b>	<b>(74.4)</b>	<b>(76.6)</b>	<b>(78.9)</b>	
Net (Increase)/Decrease in Working Capital .....	(0.1)	(1.7)	0.9	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	
Cash Flow Available for Debt Service <sup>(1)</sup> .....	139.9	162.1	152.4	151.1	151.2	151.8	151.3	151.3	151.3	
Principal Repayments .....	68.4	80.0	76.8	55.3	57.9	60.8	63.5	66.4	68.7	
Interest Costs .....	30.4	25.6	19.5	16.0	13.5	10.9	8.1	5.3	2.3	
Total Debt Service.....	98.8	105.5	96.3	71.3	71.4	71.7	71.7	71.7	71.0	
DSCR.....	1.40x	1.40x	2.13x	2.12x	2.11x	2.11x	2.11x	2.11x	n/a	

(1) Adjusted for movements in working capital as well as interest and other investment income. See “Annex B—Glossary of Certain Defined Terms Used in the Summary of Principal Finance Documents” for details on how Net Revenue is calculated.

(2) Excludes the partial prepayment of the Term Facility from the use of proceeds.

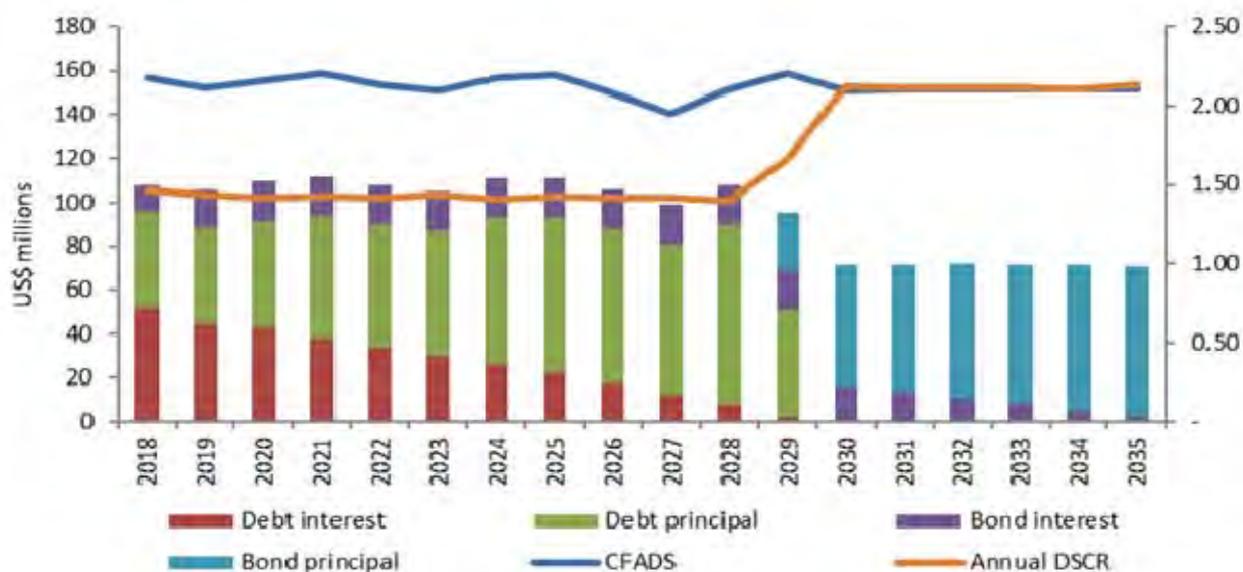
The major components of revenues and costs are shown in the following chart, together with the resulting Cash Flow Available for Debt Service (“CFADS”).



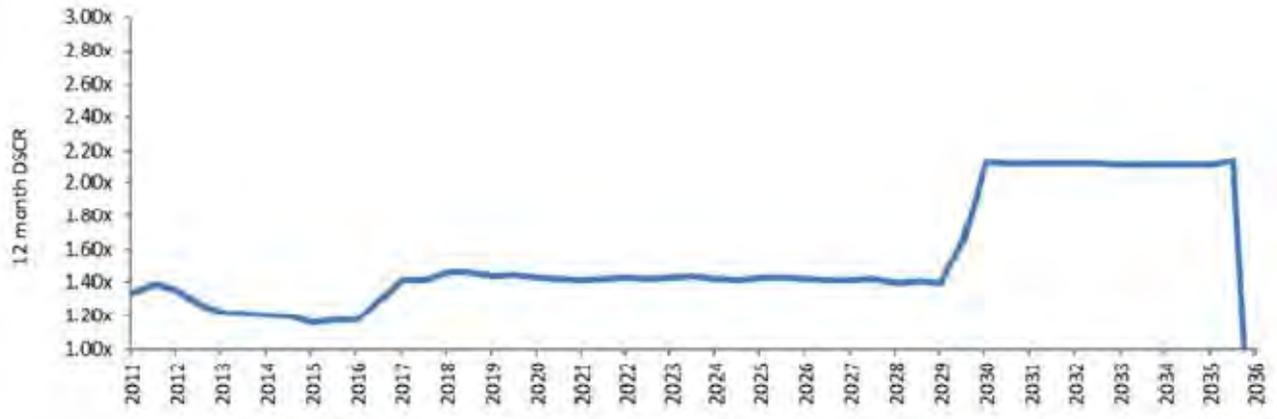
The DSCR tests our ability to service our project’s indebtedness with cash from operations.

In the Base Case, the minimum twelve-month DSCR is 1.40x and the average twelve-month DSCR is 1.66x. Changing the Base Case assumptions on which the Computer Model is run (including the amount of debt incurred by us) would change the DSCR shown above, in some cases, materially and adversely.

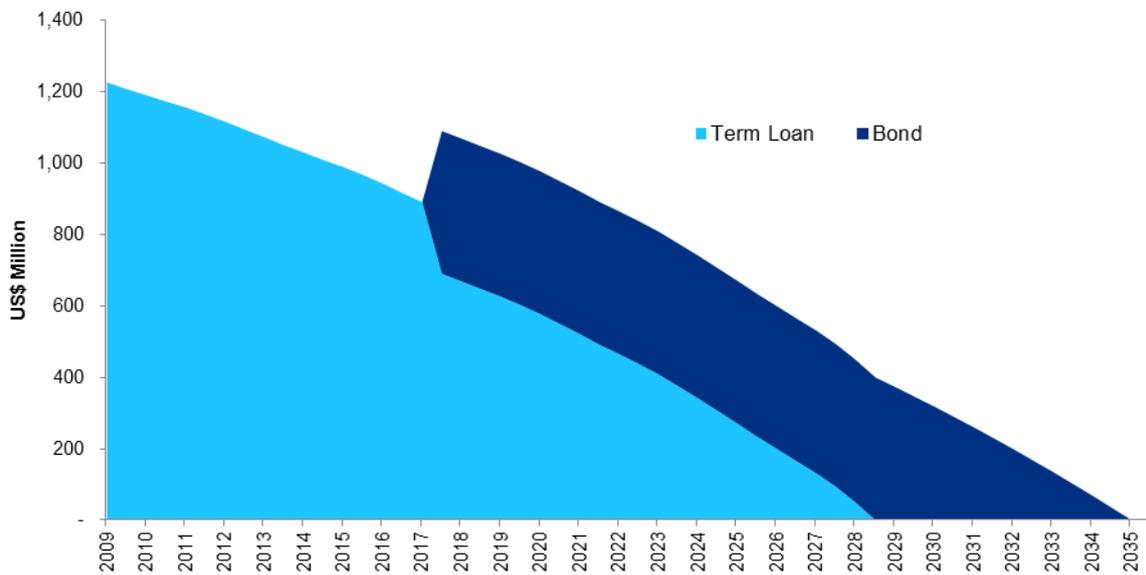
The following chart shows the Base Case for the years 2018 to 2035.



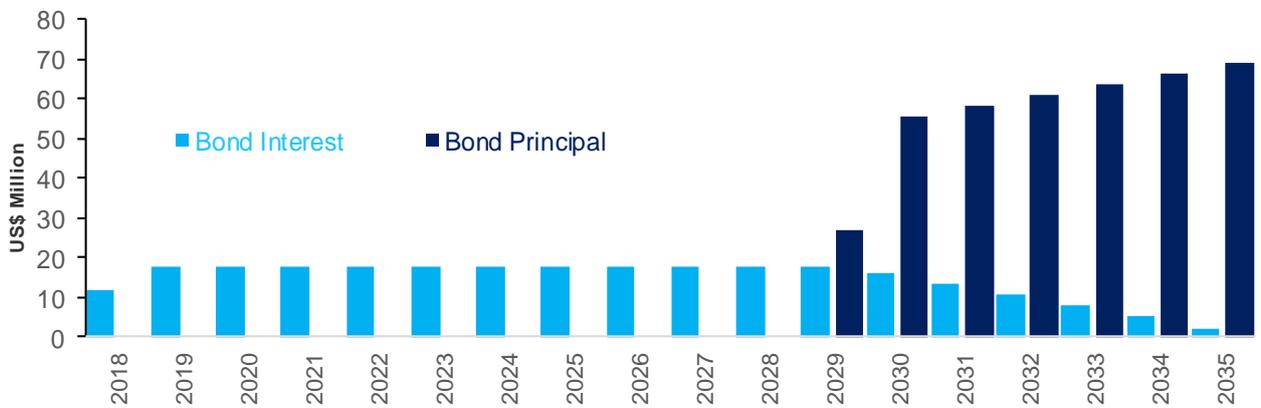
The following graph shows historic and projected DSCR for the years 2011 to 2035.



The following chart shows the Senior Debt evolution for the years 2009 to 2035.



The following chart shows the repayment of the principal amount of the Bonds and interest payments for the years 2018 to 2035.



## Summary of the Offering and Other Financing Arrangements

You will find the definitions of capitalized terms used and not defined in this description in “Description of the Bonds”, Annex B and as provided elsewhere in this Offering Memorandum.

<b>Bonds Offered</b> .....	US\$400.0 million aggregate principal amount of 4.450% Bonds due 2035.
<b>Issuer</b> .....	Emirates Sembcorp Water & Power Company PJSC.
<b>Issue Date</b> .....	December 7, 2017 (the “ <b>Issue Date</b> ”).
<b>Maturity Date</b> .....	August 1, 2035.
<b>Interest Payment Dates</b> .....	Semi-annually in arrears on or around February 1 and August 1 of each year, commencing on February 1, 2018.
<b>Regular Record Date</b> .....	While the Bonds are in global form, the Clearing System Business Day immediately preceding the corresponding payment date and while the Bonds are in definitive form, the fifteenth calendar day preceding the corresponding payment date. Clearing System Business Day means Monday to Friday inclusive except December 25 and January 1.
<b>Weighted Average Life of Bonds</b> .....	14.8 years.
<b>Scheduled Principal Repayments</b> .....	Principal on the Bonds will be repayable in semi-annual installments on the Repayment Dates as follows:

<b>Repayment Date</b>	<b>Percentage of Original Principal Amount Payable</b>
August 1, 2029 .....	6.70%
February 1, 2030 .....	6.91%
August 1, 2030 .....	6.93%
February 1, 2031 .....	7.23%
August 1, 2031 .....	7.26%
February 1, 2032 .....	7.57%
August 1, 2032 .....	7.67%
February 1, 2033 .....	7.93%
August 1, 2033 .....	7.97%
February 1, 2034 .....	8.29%
August 1, 2034 .....	8.34%
February 1, 2035 .....	8.68%
August 1, 2035 .....	8.52%

**Senior Debt** .....

Our Senior Debt comprises amounts outstanding under the Term Facility and the Bonds and ancillary facilities or instruments, including our Working Capital Facility and our permitted hedging instruments.

**Finance Documents** .....

The Bonds will be issued under an indenture to be entered into between: (a) us; (b) Citibank, N.A., London Branch, as the Bond Trustee and Paying Agent; and (c) Citigroup Global Markets Deutschland AG, as Registrar and Transfer Agent (the “**Indenture**”). Provisions relating to, among other things, the ranking and priority of the Senior Debt Obligations (including the Bonds), common covenants and common events of default are set forth in the Common Terms Agreement between, among others: (a) Sumitomo Mitsui Banking Corporation, as Global Facility Agent; (b) Sumitomo Mitsui Banking Corporation Europe Limited as Offshore Security Trustee, Offshore Account Bank and Term Facility Agent; (c) First Abu Dhabi Bank PJSC, as Onshore Account Bank and Onshore Security Trustee; (d) Citibank, N.A., London Branch, as Bond Trustee; (e) certain term lenders and hedging banks; and (f) us. You should read the “*Description of the Bonds*” for a description of the Bonds and the Indenture and the “*Summary of Principal Finance Documents*” for a description of the Common Terms Agreement and the other principal Finance Documents.

**Term Facility Agreement** .... We are currently party to the Term Facility Agreement. Part of the proceeds of the offering of the Bonds will be used by us to prepay in part the principal amount outstanding under the Term Facility Agreement. Following the prepayment, the Term Loan outstanding will be in an amount equal to US\$713,211,097.87. The maturity date of the Term Facility Agreement is January 31, 2029. See “*Use of Proceeds*” and “*Summary of Principal Finance Documents—Amended and Restated Term Facility Agreement*”.

**Working Capital Facility Agreement** ..... We are currently party to the Working Capital Facility Agreement pursuant to which a working capital overdraft and/or revolving facility is made available to us.

**Limited Recourse Obligations** ..... The payment of principal, premium, if any, interest and Additional Amounts (as defined in “*Description of the Bonds*”) in respect of the Bonds will be solely our obligations and is not guaranteed, either jointly or severally, by our Shareholders, our Sponsors, their respective affiliates or any other person. See “*Summary of Principal Finance Documents*”.

**Ranking**..... The Bonds will constitute our senior, secured, direct and unconditional obligations and will rank *pari passu* without any preference among them.

Our payment obligations under the Bonds will rank *pari passu* in right of payment with all of our other Senior Debt Obligations from time to time outstanding and will rank senior in right of payment to all of our present and future subordinated indebtedness.

**Onshore Security** ..... We have granted to the Onshore Security Trustee, as security for the payment and discharge of all of our Secured Debt Obligations, a security interest under the Commercial Mortgage and Onshore Security Agreement, the Lease Mortgage and each Company Share Pledge Agreement. See “*Summary of Principal Finance Documents—Onshore Security Documents*”.

**Offshore Security**..... We have granted to the Offshore Security Trustee, as security for the payment and discharge of all of our Secured Debt Obligations, a security interest under the First Offshore Deed of Charge and Assignment, the RO Offshore Deed of Charge and Assignment, the Second Offshore Deed of Charge, the SGHoldCo Share Mortgage Agreement and certain reinsurance assignment deeds. See “*Summary of Principal Finance Documents—Offshore Security Documents*”.

**Redemption at Our Option** ..... We may redeem the Bonds without the consent of the Bondholders at any time, in whole or in part, at a price equal to the greater of: (a) 100% of the outstanding principal amount of the Bonds to be redeemed plus any accrued but unpaid interest, if any, thereon up to, but excluding, the redemption date; and (b) an amount equal to the sum of the net present values of the then remaining scheduled payments of principal and interest on the Bonds to be redeemed (but excluding that portion of any scheduled payment of interest that accrues on the redemption date), discounted to such redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in “*Description of the Bonds*”) for such Bonds plus 50 basis points (such 50 basis points being the “**Make-Whole Amount**”).

**Optional Tax Redemption**... We may redeem the Bonds without the consent of the Bondholders in whole, but not in part, at any time upon giving proper notice if any change in, or amendment to, laws (including any regulations or rulings promulgated thereunder) or any change in the existing official position regarding application or interpretation thereof results in us being required to pay Additional Amounts in respect of the Bonds and we determine in good faith that such obligation cannot be avoided by taking commercially reasonable measures available to us (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be commercially reasonable). If we exercise this redemption right, we must pay the Bondholders a price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest up to, but excluding, the redemption date, and any Additional Amounts. See “*Description of the Bonds—Redemption Provisions—Redemption for Tax Purposes without the Consent of the Bondholders*”.

**Mandatory Redemption** ..... Subject to certain thresholds and the satisfaction of certain conditions, after the receipt of certain Capital Compensation Proceeds (other than from PWPA Termination Amounts) we will be required to offer to redeem the Bonds at a price equal to 100% of the outstanding principal amount of the Bonds, together with accrued and unpaid interest, if any, plus Additional Amounts, if any, up to but excluding the redemption date, and to make a specified proportion of such amounts that are so credited (or are otherwise available) available to make such payments as are required to be made in respect of redemption offers that are accepted by the Bondholders. In addition, subject to certain thresholds and the satisfaction of certain conditions, after the receipt of certain Capital Compensation Proceeds from PWPA Termination Amounts we will be required to offer to redeem the Bonds at a price equal to the greater of: (a) 100% of the outstanding principal amount of the Bonds plus any accrued and unpaid interest, if any, thereon up to, but excluding, the redemption date; and (b) an amount equal to the sum of the net present value of the then remaining scheduled payments of principal and interest on the Bonds (but excluding that portion of any scheduled payment of interest that accrues on the redemption date), discounted to such redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate for such Bonds plus the Make-Whole Amount. See “*Description of the Bonds—Redemption Provisions—Mandatory Redemption*”.

**Withholding Tax** ..... Unless required by law, we will make all payments due in respect of the Bonds without withholding or deduction for any present or future taxes, duties, assessments, levies, impost or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, within, or on behalf of a Relevant Jurisdiction. If any such deduction or withholding is required by law, we will pay such Additional Amounts as are required for the Bondholders to receive, net of any withholding or deduction, the amounts they would have received had no such withholding or deduction been required. See “*Description of the Bonds—Payment of Additional Amounts in Respect of Taxes*”.

**Distributions** ..... We will not be able to make any drawings from the Offshore Operating Account (or any other account) for the purpose of making a transfer to the Distribution Accounts, unless certain conditions are satisfied, including that: (a) the DSCR for the DSCR Period in relation to the most recent Calculation Date falling prior to the date of such drawing (as finally determined) was at least 1.15:1; (b) the balance standing to the credit of the Debt Service Reserve Account at that time is at least equal to the DSRA Required Balance; (c) the balance standing to the credit of the Maintenance Reserve Account at that time is at least equal to the MRA Required Balance; (d) neither such withdrawal nor transfer will result in a breach of the Commercial Companies Law or any applicable law of the Emirate of Abu Dhabi or the Emirate of Fujairah; and (e) no Default is continuing or would occur as a result of such drawing or transfer. See “*Summary of Principal Finance Documents—Common Terms Agreement—Accounts—Restricted Payments*”.

**Common Covenants** ..... In addition to the terms described above, the Common Terms Agreement contains affirmative and negative covenants granted by us for the benefit of the Senior Debt Holders, including the Bondholders, with respect to, among other things: (a) limitations on liens, loans, indebtedness, disposals, and guarantees; (b) the furnishing of our annual audited financial statements, half-year unaudited financial statements and quarterly unaudited management accounts; (c) the creation, perfection and maintenance of the Security except to the extent that failure to take action would only result in an immaterial impairment of the Security; (d) compliance with all applicable laws; (e) compliance with certain hedging requirements; and (f) restrictions on new business activities, transactions with affiliates and amendments to certain project documents. The covenants contain a number of important qualifications and exceptions. See “*Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default*”.

**Indenture Covenants** ..... In addition to the terms described above, the Indenture contains certain covenants granted by us for the benefit of the Bondholders, with respect to, among other things: (a) payment of principal of, premium (if any) and interest on the Bonds in accordance with the terms of the Bonds, the Common Terms Agreement and the Indenture; (b) compliance with our obligations, covenants and agreements in the Common Terms Agreement and other Finance Documents; (c) the provision of information to rating agencies; (d) maintenance of the listing and quotation of the Bonds on the SGX-ST; and (e) maintenance of insurance coverage that is no less favorable than the insurance coverage carried by companies engaged in similar businesses and that own properties similar to us, *provided that* such insurance coverage is available to us on reasonable commercial terms. See “*Description of the Bonds—Covenants*”.

**Common Events of Default** ..... The Common Terms Agreement contains, subject to grace and cure periods, materiality thresholds and certain other qualifications in each case as set out therein, certain Events of Default applicable for the benefit of the Bondholders including, among other things: (a) failure by an obligor to comply with any of payment obligations in respect of amounts due and payable under any Finance Document; (b) non-compliance by an obligor with any other obligation under the Finance Documents; (c) the occurrence of certain events of insolvency or similar events in relation to us or the Government of the Emirate of Abu Dhabi or any other Major Project Party; and (d) cross-default. See “*Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default*”.

**Intercreditor Matters** ..... The relative rights and obligations of each Senior Debt Holder Group (including the Bondholders) in respect of the exercise of remedies and the taking of other action in the case of an Event of Default will be governed by the relevant Senior Debt Instrument (including the Indenture) and the Common Terms Agreement.

Except in the case of our bankruptcy (or the occurrence of certain bankruptcy-related events) or non-payment of Senior Debt by us, neither the Global Facility Agent nor any Senior Debt Holder Group Representative (including the Bond Trustee) may initiate any action against us or in respect of the Security without the consent of Senior Debt Holder Group Representatives representing certain specified percentages of the Senior Debt then outstanding. Accordingly, if a Bondholder wishes to exercise remedies against us or in respect of the Security following the occurrence of an Event of Default, they may not be able to do so without the consent of the other Senior Debt Holders absent the expiration of the relevant waiting periods. See “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters*”.

After giving effect to the issuance of the Bonds and the application of the proceeds of the issuance of the Bonds in accordance with “*Use of Proceeds*”, the Bonds will constitute 36% of the aggregate Senior Debt in respect of which Senior Debt Holders will be entitled to vote. At the Issue Date, the Bonds will not themselves constitute the specified percentage of the Senior Debt for the initiation of any action following an Event of Default until: (a) if the Event of Default is a Fundamental Event of Default, 61 days; and (b) if the Event of Default is not a Fundamental Event of Default, 271 days, after the delivery by a Senior Debt Holder Group Representative of a notice seeking the initiation of remedies, and for any earlier initiation of remedies the Bondholders will instead need to rely on obtaining the consent of some or all of other Senior Debt Holder Groups.

After the Issue Date, the Bonds may constitute a different percentage of the Senior Debt if we prepay Senior Debt or with the passage of time as the Bonds amortize less quickly than our other Senior Debt existing at the Issue Date.

**Voting Time Period** ..... If the Bond Trustee does not respond to the Global Facility Agent’s request for instructions within 45 days (or such longer time period as the Global Facility Agent may agree), the Bonds shall be disregarded by the Global Facility Agent in calculating the aggregate outstanding Senior Debt for the purposes of determining whether or not the requisite percentage vote has been achieved in relation to certain matters or determinations.

**Bondholder Actions in Our Bankruptcy and Following Non-Payment**..... Upon the occurrence of a Bankruptcy Event of Default, all Senior Debt Obligations shall be accelerated automatically without any declaration or other action on the part of the Global Facility Agent, the Bond Trustee or the Bondholders. In such circumstances, subject to the Common Terms Agreement, any Senior Debt Holder Group Representative, acting on the instructions of a specified percentage of the Senior Debt Holders it represents, shall be entitled to direct the taking of action against us or in respect of the Security.

Upon the occurrence of a non-payment Event of Default in respect of any class of Senior Debt, the relevant Senior Debt Holders may direct their Senior Debt Holder Group Representative to declare an Event of Default and accelerate all of the Senior Debt Obligations owed to those Senior Debt Holders. Upon such acceleration of any class of Senior Debt Obligations, all other classes of Senior Debt Obligations will also be immediately accelerated without any action on the part of the Global Facility Agent, the Bond Trustee or the Bondholders.

**Certain Provisions Relating to Amendments of Finance Documents** ..... Most amendments, consents or waivers to the Finance Documents may be effected without the consent of the Bondholders if authorized by Senior Debt Holder Group Representatives representing holders of more than 50% of the Senior Debt outstanding at such time. Certain amendments, consents and waivers to the Finance Documents cannot be effected without the consent of all Senior Debt Holder Group Representatives (including the Bond Trustee) acting on the instructions of certain specified percentages of the relevant Senior Debt Holders (including the Bondholders) at such time.

**Operation of Accounts**..... All balances in the Onshore Operating Account and the Offshore Operating Account will be applied by us at all times as described under “*Description of the Finance Documents—Common Terms Agreement—Accounts*” unless, during the continuance of an Event of Default: (a) the Global Facility Agent blocks such accounts by notice to the Account Banks; or (b) the Onshore Security Trustee or the Offshore Security Trustee (as applicable) assumes control of such accounts following the enforcement instructions of Senior Debt Holder Group Representatives representing the specified percentage of the Senior Debt then outstanding.

**Expected Ratings** ..... Prior to the issuance of the Bonds, it is expected that, subject to final documentation, the Bonds will be rated A2 (stable outlook) by Moody’s and A- (stable outlook) by S&P. These ratings reflect only the view of the applicable rating agency at the time the rating is issued, and any explanation of the significance of the rating may only be obtained from the relevant rating agency. There is no assurance that any credit rating will remain in effect for any given period of time or that it will not be lowered, suspended or withdrawn entirely by the applicable rating agency, if, in that rating agency’s judgment, circumstances warrant the lowering, suspension or withdrawal of the rating. Any such lowering, suspension or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

**CUSIP, Common Code and ISIN**.....  
*Regulation S Bonds*  
Common Code: 172005225  
ISIN: XS1720052254  
*Rule 144A Bonds*  
CUSIP Number: 29135E AA4  
Common Code: 172334431  
ISIN: US29135EAA47

**Governing Law and Dispute Resolution**..... The Bonds and the Indenture will be governed by the laws of the State of New York, United States. The Common Terms Agreement will be governed by the laws of England and Wales. The Security Documents will be governed by the laws of England and Wales, the United Arab Emirates and the British Virgin Islands.  
Disputes arising under the Bonds and the Indenture will be referred to and resolved by arbitration in London in accordance with the LCIA Rules.  
Disputes arising under the Common Terms Agreement will be referred to and finally resolved by arbitration in London in accordance with the LCIA Rules.

**Offshore Account Bank** ..... Sumitomo Mitsui Banking Corporation Europe Limited.

**Onshore Account Bank** ..... First Abu Dhabi Bank PJSC.

**Bond Trustee and Paying**

**Agent** ..... Citibank, N.A., London Branch.

**Registrar and Transfer**

**Agent** ..... Citigroup Global Markets Deutschland AG.

**Offshore Security Trustee** ... Sumitomo Mitsui Banking Corporation Europe Limited.

**Onshore Security Trustee** ... First Abu Dhabi Bank PJSC.

**Eligible Purchasers** ..... The Bonds are being offered: (a) within the United States to persons that are QIBs in reliance on Rule 144A; and (b) outside the United States to persons that are non-U.S. Persons in offshore transactions in accordance with Regulation S.

**Form and Denomination** ..... The Bonds will be in registered form and will be issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Rule 144A Bonds will be represented by one or more global bonds registered in the name of a nominee of DTC. Beneficial interests in the Rule 144A Bonds will be held through DTC. We will not issue certificated Rule 144A Bonds except in the limited circumstances described in the Indenture. Settlement of the Rule 144A Bonds will occur through DTC in same-day funds. The Regulation S Bonds will be represented by one or more global bonds registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Regulation S Bonds will be held through the common depositary for Euroclear and Clearstream, Luxembourg. We will not issue certificated Regulation S Bonds except in the limited circumstances described in the Indenture. Settlement of the Regulation S Bonds will occur through Euroclear and Clearstream, Luxembourg in same-day funds. For information on depositary book-entry systems, see “*Description of the Bonds—Form of Bonds, Denomination and Registration*”.

**Transfer Restrictions** ..... We have not registered and will not register the Bonds under the Securities Act. The Bonds are subject to restrictions on transferability, and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the Securities Act. See “*Transfer Restrictions*”.

**Absence of a Public Market for the Bonds** ..... The Bonds will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market for the Bonds, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure that a liquid market for the Bonds will develop or be maintained.

**Listing** ..... Application has been made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of SGD 200,000 (or its equivalent in foreign currencies).

**Risk Factors** ..... Investing in the Bonds involves a number of material risks. For a discussion of certain risks that should be considered in connection with an investment in the Bonds, see “*Risk Factors*”.

## RISK FACTORS

Prospective purchasers of the Bonds should consider carefully the matters set forth below, as well as the other information contained in this Offering Memorandum, in evaluating an investment in the Bonds. Certain statements in this Offering Memorandum that are not historical facts constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results to differ materially from results expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the matters described below. You will find the definitions of capitalized terms used and not defined in this description in “Description of the Bonds”, Annex A and Annex B and as provided elsewhere in this Offering Memorandum.

### Risks Relating to Our Project

***Our sole activity is the generation of power and the desalination of seawater and production of potable water from our plant, which involves significant risks that could have a material adverse effect on our business, results of operations and/or financial condition.***

The operation of power generation and seawater desalination plants such as our plant exposes our business to certain operational risks. These operational risks can include, or result in, among other things:

- (a) machinery breakdown and equipment failures;
- (b) facilities operating inefficiently;
- (c) available plant capacities being less than projected;
- (d) disruptions in backup fuel supply;
- (e) disruptions to key third-party suppliers (chemicals, industrial gases and membranes);
- (f) disruptions in seawater supply or quality;
- (g) loss of key staff;
- (h) inability to comply with regulatory or permit requirements;
- (i) unforeseen third-party liabilities; and
- (j) *force majeure* or catastrophic events such as acts of war, armed conflicts, blockades, acts of rebellion, riots, civil commotions, strikes, sabotage, terrorist acts, lightning, fires, floods, earthquakes, tsunamis, storms, cyclones, typhoons, tornados or other natural calamities or acts of God.

Our ability to make payments to the Bondholders will depend on the successful operation of our plant. The operational risks to our plant may prevent us from performing under the Power and Water Purchase Agreement with ADWEC, which is our sole source of revenue and, in certain situations, such failure to perform could result in ADWEC terminating the Power and Water Purchase Agreement. Additionally, the terms of our debt prohibit us from diversifying our operations and we do not anticipate that we would be able to generate revenue or cash flow except through the Power and Water Purchase Agreement.

***The New RO Plant has a limited operating history and encountered technical issues in its first year of operation leading to a reduction in availability. Our historic financial statements may not be indicative of future cash flows, results of operations or rate of growth.***

The commercial operation date of the New RO Plant was achieved on December 1, 2015. Accordingly, we only have less than two years of information with which to evaluate the operating performance of the New RO Plant.

In its first year of operation, the New RO Plant encountered some technical issues leading to the New RO Plant’s availability being lower than the projected availability. The reduced availability was mainly due to pump failures, power supply failure, the need to isolate three racks of the New RO Plant to carry out the cleaning in place on one rack and initial teething issues. While these issues were successfully rectified and improvements were undertaken by the DBO Contractor between November 2016 and January 2017 (requiring the New RO Plant to shut down during the period for a

duration exceeding the time allotted for planned maintenance during the winter period under the DBO Agreement), there can be no assurance that the New RO Plant will not encounter other technical issues in the future.

Our business prospects and financial performance must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by a project with a new expansion, including challenges in planning and forecasting accurately due to limited historical data, which means our past results cannot be relied on as an indication of future performance. Accordingly, our inability to successfully identify and address all risks and difficulties and to successfully implement the New RO Plant into our business plan could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***The occurrence of “red tide” conditions may result in a loss of revenue.***

Our project is susceptible to “red tide” conditions (brought about by the occurrence of algae bloom) which may result in a loss of revenue to us given that we are not contractually entitled to capacity charges during periods of reduced output resulting from red tide conditions. Although we have implemented an enhanced pre-treatment facility as part of the New RO Plant which includes a dissolved air flotation unit (“**DAF Unit**”) to address red tide conditions, which covers the Existing RO Plant and the New RO Plant and has been successfully tested in simulated red tide conditions, we cannot guarantee that the DAF Unit will effectively protect our operations against red tide conditions.

If our project becomes subject to red tide conditions that are unable to be cured or mitigated by the DAF Unit, this could prevent our plant from being successfully operated and have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***Our project may be adversely affected by increased operating and maintenance costs or capital expenditure.***

Operating our plant involves exposure to, among other things, general technical, legal, regulatory and other factors that may be beyond our control. Changes in these factors could make it more expensive for us to operate our plant than we projected, and could require additional capital expenditures or could reduce our revenues. Additionally, complications with engineering design and implementation or technology or equipment failure could result in reduced plant availability or production and/or higher-than-anticipated capital expenditures and/or operating and maintenance costs.

The rates at which the capacity charges and output charges under the Power and Water Purchase Agreement were calculated are fixed for the 20-year term of the Power and Water Purchase Agreement, subject to specified escalations. As a result, cost increases higher than those we projected at the outset may not be recovered. Our project could be subject to changes in the operating cost structure over the 20-year term of the Power and Water Purchase Agreement with ADWEC, including on account of reasons relating to operation and maintenance; repair and overhaul of plant and equipment; procurement of the amount of backup fuel required for seven days of full load operation (for continuous operation); backup fuel transportation; environmental compliance; ground rent; and utility services and insurance.

***Cost increases higher than those we projected at the outset may not be recovered under the Power and Water Purchase Agreement.***

While the long-term operation and maintenance of the Existing Fujairah Plant is performed by the Operator under an agreement for a term of 20 years from the New RO Plant Commercial Operation Date, the Operator’s services are provided on a fixed fee basis only from the Closing Date until January 31, 2021, and thereafter on a cost plus fee basis. The Operator’s costs during the fixed fee period are covered by the Power and Water Purchase Agreement, and the Operator bears the risk if the Operator’s costs are higher than projected during that period.

Although, we have budgeted additional allowances for the cost of extending the Contractual Services Agreement until 2035 and for additional staffing costs upon the expiration of the DBO Agreement, and these budget increases are reflected in increased capacity charges recoverable from ADWEC under the Power and Water Purchase Agreement, we cannot guarantee that the amounts we have budgeted will be sufficient to cover any increased operating and maintenance costs. If the operating and maintenance costs after the fixed fee period are higher than we projected, we bear the risk and the excess cannot be passed through to ADWEC under the Power and Water Purchase Agreement.

Additionally, although, the Operator has entered into the Contractual Services Agreement with the original equipment manufacturer of our plant’s gas turbine power units for the periodic overhaul of such units at contracted prices, the term of the Contractual Services Agreement (unless extended) is shorter than the term of the Power and Water Purchase Agreement. When the Contractual Services Agreement with the original equipment manufacturer terminates,

we or the Operator will need to make new arrangements, and such new arrangements may be at a cost greater than our budgeted projected costs and we will not be able to pass these costs through to ADWEC under the Power and Water Purchase Agreement.

***We may not recover all our costs in case of failure to perform by the DBO Contractor.***

The operation and maintenance of the New RO Plant for the first seven years following the New RO Plant Commercial Operation Date is being performed by the DBO Contractor, under the DBO Agreement, following which the responsibility for such operation and maintenance will be assumed by the Operator under the Operation and Maintenance Agreement.

The DBO Contractor has provided a bond in our favor in the sum of US\$23,704,790 (equal to 15% of the Construction Price) (the “**Performance Bond**”) as security for the satisfaction of the DBO Contractor’s obligations to achieve the commercial operation of the New RO Plant and to rectify any performance or warranty issues. The Performance Bond remains valid until the third anniversary of the New RO Plant Commercial Operation Date. However, if the DBO Contractor does not fulfill its obligations under the DBO Agreement, such that we must undertake rectification works, our only remedy is to set off amounts or recover costs under the Performance Bond, which may not be sufficient to recover all of our costs. The DBO Contractor has also provided another bond in our favor in the sum of US\$10,000,000 (the “**Handback Bond**”) as security for the satisfaction of the DBO Contractor’s obligations in respect of handback requirements regarding the New RO Plant upon expiry or termination of the DBO Agreement. See “*Summary of Principal Project Documents—DBO Agreement—Handback*”. However, if the DBO Contractor does not fulfill its obligations under the DBO Agreement such that we must undertake rectification works, our only remedy is to set off amounts or recover costs under the Handback Bond, which may not be sufficient to recover all of our costs.

As described in “*Summary of Principal Finance Documents—Common Terms Agreement—Accounts—Offshore Operating Account—Withdrawals from Offshore Operating Account*” and “*Summary of Principal Finance Documents—Common Terms Agreement—Accounts—Onshore Operating Account—Withdrawals from Onshore Operating Account*” maintenance and operating expenses and capital expenditures are paid before payments are made to the Bondholders. Any material unforeseen escalation of these expenses or expenditures could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***We depend on certain of our Shareholders and their affiliates for our operations and are involved in certain related party transactions that could create conflicts of interest, including with the Operator.***

We are involved in and are dependent on certain related party transactions with our Shareholders and with other companies controlled by our Shareholders, including the Operator. We depend on the Operator to manage substantially all aspects of the operation and maintenance of the Existing Fujairah Plant. We are also dependent on the Operator to perform its contractual obligations with respect to the Contractual Services Agreement with the original equipment manufacturer of our plant’s five gas turbine power units. Any inability or failure by the Operator to provide these services, and any failure by our Sponsors or their affiliates under the parent company guarantees, could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

We are also dependent on certain other relationships and related party transactions, which could result in conflicts of interest and have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds). See “*Certain Relationships and Related Party Transactions*”.

***We rely on multiple third-party suppliers for, and third-party operators of, our plant.***

We rely on multiple third-party suppliers for the supply of certain chemicals, membranes and industrial gases necessary for the general operation of our plant, including, in particular, operations related to the desalination of seawater.

In the event that we can no longer source such chemicals, membranes and industrial gases from our current suppliers, we may incur additional costs or face business interruption due to a delay caused by sourcing these chemicals, membranes and other industrial gases from different suppliers. Any such additional costs or business interruption could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

We also rely on key third parties in the operation of our plant including, counterparties to the Power and Water Purchase Agreement, the Transco Connection Agreement, the Operation and Maintenance Agreement, the DBO Agreement, the MSA, the Contractual Services Agreement and the Land Lease. Further, material non-performance by a counterparty under a key contract may give rise to a default or termination under the Power and Water Purchase Agreement with ADWEC or under our debt. Any such action by a key third party could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***The operation and maintenance of our plant depends on the performance by the Operator and the DBO Contractor whose ownership we do not control.***

The Operator is wholly owned by the International Sponsor and the DBO Contractor is an unincorporated joint venture between Acciona Agua S.A. and Acciona Infraestructuras S.A.

We do not have control over the ownership of either the Operator or the DBO Contractor or the allocation of risk between the Operator and the International Sponsor, or the joint venture partners in relation to the DBO Contractor. Such ownership or allocation of risk may change and the interest of the International Sponsor or the joint venture partners in relation to the DBO Contractor may not be aligned with our interest, which could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***We do not own the land on which our plant is situated.***

Our plant site premises have been leased to us at a nominal annual rent by ADWEA for a term of 32 years which commenced on and as at September 26, 2006. If we are in material breach of the terms of our lease, ADWEA may at its option elect to terminate the lease early, evict us from the premises and repossess the premises, which include our plant. If our lease is terminated early and if ADWEC has not purchased our plant from us, we are obligated under our lease to, within one year and at our own cost, demolish and remove our plant and any residual wastes from our site, fill in all excavations and return the surface to grade, before surrendering our site to ADWEA.

We may enter into an access road agreement with Emirates Liquefied Natural Gas (LNG) LLC (“ELNG”) and the Fujairah Municipality to modify our access road and to permit access by ELNG to a plot of land allocated to ELNG by the Government of the Emirate of Fujairah at the northern boundary of our plant for the purpose of construction and operation of a liquefied natural gas regasification facility by ELNG. The use of the road by a third party will result in additional traffic taking place adjacent to and within our plant. Such use may lead to, among others, road accidents, blockages and spillages which could impact our operations and have a material adverse effect on our operation of our plant, results of operations and financial condition which in turn could affect our ability to make payments on our debt (including the Bonds).

***Our ability to operate our plant and respond to unexpected events is dependent on the availability of skilled personnel, including those employed by the Operator and the DBO Contractor. We may be adversely affected if we, the Operator or the DBO Contractor are not able to retain existing key senior management personnel or other key skilled employees or continue to attract and employ key personnel with the skills and experience considered suitable by us, the Operator and the DBO Contractor.***

We, the Operator (who is responsible for operating the Existing Fujairah Plant) and the DBO Contractor (who is responsible for operating the New RO Plant) are dependent to a significant degree on the abilities, skills and experience of our respective key senior management and other key skilled personnel, both in administrative and operational areas and on such personnel’s continued service. The knowledge of our respective key senior management and other key skilled personnel of the power generation and water desalination industries and their skills and experience are crucial elements to the success of our business.

Qualified personnel are in great demand throughout the power and water desalination industries. The loss of any of our, the Operator’s or the DBO Contractor’s key personnel or our, the Operator’s or the DBO Contractor’s inability to attract, retain and motivate additional key senior management and other key personnel with the skills and experience considered suitable by us, the Operator and the DBO Contractor could result in a shortage of trained and qualified personnel. Such shortage of personnel may be a constraint on our, the Operator’s or the DBO Contractor’s ability to run our or its operations effectively and, therefore, could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***Our operations are subject to government laws, regulations, licenses and permits and our inability to comply with existing or future laws, regulations (including environmental regulations), licenses or permits or changes in applicable laws, regulations, licenses or permits may have a negative impact on our business, results of operations and/or financial condition.***

Our operations are subject to regulation in the United Arab Emirates, the Emirate of Abu Dhabi and the Emirate of Fujairah. Regulations that specifically apply to our business generally cover five areas: (a) corporate existence and power and authority to conduct our business; (b) the conduct of power generation and water production; (c) the transmission of power and water; (d) environmental regulation; and (e) regulation of health and safety.

We remain subject to a varied and complex body of laws, regulations, licenses and permits that both public officials and private parties, including the Operator and the DBO Contractor, may seek to enforce. We conduct our power generation and seawater desalination operations under several licenses and permits, including our electricity generation and water production license issued by the Regulation and Supervision Bureau for the water, wastewater and electricity sector in the Emirate of Abu Dhabi (the “**Regulation and Supervision Bureau**”).

Such licenses and permits may be suspended, terminated or revoked if we do not comply with the license requirements, do not comply with any applicable emissions and other environmental requirements, are in breach of any environmental and health and safety standards, systematically fail to provide required information, become insolvent, fail to fulfill any capital expenditure or production obligations or do not comply with any other applicable license conditions. In addition, the laws and regulations to which we are subject impose numerous requirements on the modification, ownership and operation of our plant. If we fail to comply with these requirements, this may prevent us from modifying or operating our plant, and we could be subject to civil or criminal liability, fines and the imposition of clean-up obligations, including liens, to meet these requirements. Our business could also be materially adversely affected by changes in existing law, the interpretation of existing laws or the adoption of new laws applicable to us. The imposition of fines or penalties, or the revocation or suspension of our licenses or permits, could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***We may be subject to liabilities as a result of violations of environmental and safety standards.***

We are subject to applicable environmental and safety regulations in force in the United Arab Emirates that set various standards for regulating certain aspects of health, safety, security and environmental quality and may impose civil and criminal penalties and other liabilities for any violations. The risks of environmental damage, such as pollution and leakage, are inherent to the power generation and water desalination industries, and the use of machinery and high-voltage equipment may involve significant health and safety risks.

There can be no guarantee that we will be in compliance with all applicable environmental and safety regulations in force in the United Arab Emirates in the future. Should we fail to comply with any such regulations, we may be liable for penalties and/or the consequences of default under any contractual obligations requiring us to comply with applicable regulations.

In addition, in the future, relevant authorities in the United Arab Emirates may enforce existing regulations, including environmental and safety laws and regulations, more strictly than they have done in the past and may impose stricter standards, or higher levels of fines and penalties for violations, than those which are currently in effect. Accordingly, we are unable to estimate the future financial impact of our compliance with, or the cost of our violation of, any applicable regulations.

Any violation of any applicable environmental and safety regulations could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***We are exposed to environmental laws and regulations that impose operational compliance and remediation obligations.***

We are subject to various environmental laws and regulations that impose operational compliance and remediation obligations. Operational compliance obligations can result in significant costs to install and maintain pollution controls, fines and penalties resulting from any failure to comply with such obligations and potential limitations on our ability to operate. Environmental remediation obligations can result in significant costs associated with the investigation and clean-up of contaminated properties or water bodies and claims for damage to property.

The location of our plant may be, or have been in the past, contaminated with hazardous materials, resulting in a potential liability to investigate or remediate them, as well as for claims of alleged harm to persons, property or natural resources.

Potential health, safety and environmental events that may materially impact our plant's operations include fires, explosions, spills, leaks, flooding, light vehicle incidents, equipment failure, falls from height, electrocutions and incidents involving equipment and emissions of harmful gases or chemicals. Fatalities, or serious injury, to employees or site contractors may occur due to these or other events. Any such event or other event resulting from the operation of our plant or the transport or storage of hazardous materials could expose us to significant environmental liabilities and claims could be brought against us even if such event was caused by or attributable to a third party or party acting on our behalf as our agent.

It is not possible for us to estimate exactly the amount and timing of all future expenditures related to environmental matters because of:

- (a) the discovery of new environmental conditions or additional information about existing conditions;
- (b) the uncertainties in estimating pollution control and clean-up costs;
- (c) the uncertainty in quantifying liability under environmental laws and regulations that impose liability without fault on potentially responsible parties; and
- (d) the evolving nature of environmental laws and regulations and their interpretation and enforcement.

Any or all of these hazards, and the possible legal liability to us or governmental or regulatory action against us arising therefrom for damages, clean-up costs and penalties and/or compensation, could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***We may not have adequate insurance to cover all potential losses.***

We are obligated under the Power and Water Purchase Agreement and the Common Terms Agreement to maintain a certain minimum level of insurance against certain risks; however, as a result of our operating risks and other potential hazards associated with the power generation and water desalination industry, we may from time to time become exposed to significant liabilities for which we may not have adequate insurance coverage. Power generation and water desalination involve hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of rotating equipment and delivering electricity and potable water to transmission systems. In addition to natural risks such as earthquakes, floods, "red tide" conditions (brought about by the occurrence of algae bloom), lightning, hurricanes and wind, as well as hazards such as fire, explosion, collapse and machinery failure, there are inherent risks in our project that may occur as a result of inadequate internal processes, technological flaws, human error, terrorism or unknown external events. The control and management of these risks depend on adequate development and training of personnel and on the existence of operational procedures, preventative maintenance plans and specific programs supported by quality control systems which reduce, but do not eliminate, the possibility of the occurrence and impact of these risks. There can be no assurance that our insurance coverage will be adequate to compensate us for any actual losses suffered.

We maintain insurance for our plant, including all risks property/boiler and machinery insurance, general third-party liability insurance, terrorism asset protection insurance and business interruption insurance, in amounts and with deductibles that we consider appropriate. If we are not able to obtain the insurance coverage that is required by the terms of our project financings, this could be an event of default thereunder. There can be no assurance that our insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which we may be subject. A successful claim for which we are not fully insured or for which we have to pay a substantial deductible could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds). For example, in 2014, we experienced a period of reduced power availability due to an outage attributable to the failure of a compressor on a 9FA turbine that occurred in May 2014. The failure of the 9FA compressor stator S1 blade liberation (and damage on the other stator and rotor stages) triggered our property damage and business interruption insurance cover, other than a deductible of US\$4.89 million, which was our responsibility. GEGS (formerly GEIOC), as the CSA Contractor and the original equipment manufacturer, performed the rectification works in 134 days. We cannot provide any assurance that issues related to engineering, design, installation and implementation, or technology or equipment failure, will not arise in the future.

Further, if there are changes in the insurance markets, or increases in insurance costs, we cannot provide assurance that insurance coverage will continue to be available on terms similar to those presently available to us, on commercially reasonable terms or at all, or that we will be able to pass through to ADWEC for reimbursement under the Power and Water Purchase Agreement any insurance costs in excess of those that we projected when we entered into the Power and Water Purchase Agreement.

Moreover, the occurrence of a significant event that is uninsured such as war, nuclear risks and seepage, pollution and contamination (except in specified circumstances) could have a material adverse effect on our financial position, results of operations and cash flows. In the event there is a total or partial loss of our assets, there can be no assurance that the insurance proceeds received by us in respect thereof will be sufficient to satisfy all of our debt. The occurrence of a significant adverse event not fully or partially covered by insurance could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***Other than with respect to certain prescribed force majeure events of a political nature, we are not entitled to receive capacity charges from ADWEC if we are prevented from making power or water capacities available.***

Events of force majeure or government action or inaction consist of defined events of government action or inaction and other force majeure events that prevent the affected party from performing its relevant obligations under the Power and Water Purchase Agreement (other than the payment of money). See “*Summary of Principal Project Documents—Power and Water Purchase Agreement*”. The occurrence of a specified “event of government action or inaction” or any other “event of force majeure” will, in each case, excuse us or ADWEC, whichever is the affected party, from performing any contractual obligation (other than the payment of money) which the affected party is prevented from performing due to such event until normal performance by the affected party of the relevant contractual obligation can be resumed, *provided that* the remaining terms of the Power and Water Purchase Agreement are complied with.

If we, as the affected party, are prevented from providing power and/or water capacities due to one of the specified “events of government action or inaction” namely:

- (a) acts of war (whether declared or not), invasion, armed conflict, act of foreign enemy or blockade in each case occurring within or involving the United Arab Emirates, the Emirate of Abu Dhabi or the Emirate of Fujairah;
- (b) acts of rebellion, riot, civil commotion, strike of a political nature, act or campaign of terrorism or sabotage of political nature in each case occurring within the United Arab Emirates, the Emirate of Abu Dhabi or the Emirate of Fujairah;
- (c) gas supply force majeure; or
- (d) transmission system or water trunk mains system force majeure,

*provided that*, in each of the aforementioned cases, the action or inaction of a governmental instrumentality of the Emirate of Abu Dhabi or the Emirate of Fujairah was the controlling or contributing force that caused the occurrence of the event, then we are entitled to receive capacity charges from ADWEC (on which our ability to make payments on our debt (including the Bonds) depends) in respect of the deemed available power and/or water capacities that we were prevented from actually making available due to the occurrence of such event.

If we, as the affected party, are prevented from providing power and/or water capacities due to any “event of force majeure” other than one of the specified “events of government action or inaction” as to which the action or inaction of a Government of the Emirate of Abu Dhabi instrumentality was the controlling or contributing force that caused the occurrence of the event, then we are not entitled to receive capacity charges from ADWEC in respect of the power or water capacities that we are prevented from providing due to the occurrence of such event, and are only entitled to receive capacity charges in respect of the power and water capacities that we can make available. This loss of revenue will decrease or may eliminate the revenues we expect to receive, and in the absence of sufficient business interruption insurance coverage will have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***Other than in limited circumstances, we are not entitled to terminate the Power and Water Purchase Agreement upon the occurrence of a prolonged event of government action or inaction or a prolonged event of force majeure, and our ability to pass on any increase in costs in such circumstances is also limited.***

We or, as the case may be, ADWEC may be prevented by one of the specified “events of government action or inaction” or any other “event of force majeure” from performing our respective obligations under the Power and Water

Purchase Agreement for a protracted period.

We are entitled to terminate the Power and Water Purchase Agreement if one of the specified “events of government action or inaction” prevents ADWEC from performing its obligations under the agreement for a continuous period of 365 calendar days, unless ADWEC elects to continue to pay us capacity charges in which case we will continue to receive capacity charges (on which our ability to make payments on our debt (including the Bonds) depends) for power and water capacities that we make available to ADWEC.

We are not entitled to terminate the Power and Water Purchase Agreement if an “event of force majeure” prevents ADWEC from performing its obligations under the agreement for a protracted period, as in this case we will continue to receive capacity charges (on which our ability to make payments on our debt (including the Bonds) depends) for all power and water capacities that we make available to ADWEC.

We are not entitled to terminate the Power and Water Purchase Agreement even though one of the specified “events of government action or inaction” or an “event of force majeure” prevents us from providing power and/or water capacities for a protracted period.

In the case of an “event of government action or inaction” that prevents us from providing any power and/or water capacities for any protracted period, we will continue to receive capacity charges for the deemed available power and/or water capacities that we are prevented from actually making available due to such event, irrespective of the duration, unless and until, in the event that we are prevented from providing power and/or water capacities for a continuous period of 365 calendar days, ADWEC elects to terminate the Power and Water Purchase Agreement and purchase our project.

However, in the circumstance where any other “event of force majeure” prevents us from providing power and/or water capacities, we will not receive capacity charges for the capacities that we are prevented from providing nor will we have the right to terminate the Power and Water Purchase Agreement, irrespective of the duration. While ADWEC has no right to terminate the Power and Water Purchase Agreement in such circumstance (which could continue for a protracted period), this loss of revenue will decrease or may eliminate the revenues we expect to receive, and in the absence of sufficient business interruption insurance coverage will have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

In certain circumstances, we may be entitled under the Power and Water Purchase Agreement to claim from ADWEC increased costs or expenses that we may suffer or incur due to an “event of government action or inaction”. However, we are not entitled under the Power and Water Purchase Agreement to claim or recover from ADWEC increased costs or expenses that we may suffer or incur due to an “event of force majeure”. Moreover, we can provide no assurance that we will recover all or any of the additional costs that we may suffer or incur due to any “event of government action or inaction” under the Power and Water Purchase Agreement. Any increased expense or additional cost not recovered by us from ADWEC will decrease or may eliminate the revenues we expect to receive, which may adversely affect our ability to make payments on our debt (including the Bonds).

***Our business may be adversely affected if the dirham/U.S. dollar peg were to be removed or adjusted.***

We maintain our accounts, and report our results, in dirhams. As at the date of this Offering Memorandum, the dirham remains pegged to the U.S. dollar. However, there can be no assurance that the dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects us. Any such de-pegging could have an adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***Our use of hedging arrangements may be ineffective or may not completely insulate us from the adverse financial impact resulting from the interest rate risk and foreign currency risk to which we are exposed.***

We use interest rate swaps and forward foreign exchanges swaps as hedges of our exposure to interest rate risk and foreign currency risk of our interest-bearing loans and foreign currency commitments. We expect our hedging arrangements to assist us in reducing our exposure to higher interest expenses and foreign currency variations. No hedging arrangement, however, can completely insulate us from the interest rate risks and foreign currency risks to which we are exposed, and there is no assurance that the implementation of any hedging arrangement will have the desired impact on our results of operations or financial condition. Consequently, our hedging arrangements, which are intended to limit losses, may actually have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***The assumptions and financial projections with respect to our plant's performance and revenue-generating capability and the operating, maintenance and capital costs of our project may not be accurate.***

The financing of our project reflects certain assumptions and financial projections with respect to our plant's performance and revenue-generating capability and the operating, maintenance and capital costs of our project. Investors should carefully review the summary of the Computer Model and the Independent Technical Due Diligence Report. We do not intend to provide to the Bondholders any revisions of the projections included in the summary of the Computer Model or any analyses of the differences between the projections included in the summary of the Computer Model and actual results later achieved. The Technical Adviser has evaluated our project and provided a report on the technical, environmental and economic aspects of our project in the Independent Technical Due Diligence Report. The Independent Technical Due Diligence Report also contains a summary and opinion on the technical assumptions contained within the Computer Model, including independent operating and maintenance cost analysis.

Certain assumptions have been made in preparing the Computer Model and the Independent Technical Due Diligence Report with respect to general business and economic conditions and several material contingencies and other matters that are not within our control and the outcome of which cannot be predicted. Among the many assumptions that are critical to the economic viability of our project and the payment of the Senior Debt, and consequently the Bonds, are the level of power and water availability, capacity and dispatch, operating expenses, repair and maintenance costs, efficiency of our plant, revenues, capital costs, outages, heat-rate, interest rates and indexation assumptions. These assumptions and the other assumptions used in the Computer Model and the Independent Technical Due Diligence Report are inherently subject to significant uncertainties. Actual results may differ materially from those projected. Accordingly, the financial analysis does not necessarily reflect current or future costs or projected cash flows, and neither we nor any other person assumes any responsibility for their accuracy. Therefore, no representation is made, none is intended, nor should any be inferred, with respect to the likely occurrence of any particular future set of facts or circumstances. If actual results are less favorable than those shown in, or if the assumptions used in formulating, the Computer Model and the Independent Technical Due Diligence Report prove to be incorrect, this could have an adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

***Cybersecurity breaches and other disruptions could compromise our information and operations, and expose us to liability, which would cause our business and reputation to suffer.***

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and information regarding our customers, suppliers and business partners, and personally identifiable information of our employees, in our data center and on our network. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such attack or breach could compromise our network and the information stored therein could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure, loss or theft could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties for divulging shipper information, disruption of our operations, damage to our reputation, and loss of confidence in our services, which could adversely affect our business.

Our information technology infrastructure is critical to the efficient operation of our business and essential to our ability to perform day-to-day operations. Breaches in our information technology infrastructure or physical facilities, or other disruptions, could result in damage to our assets, safety incidents, damage to the environment, potential liability or the loss of contracts, and have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

## **Risks Relating to ADWEC**

***We depend on ADWEC to purchase all of the capacity and output of our plant.***

ADWEC is our sole customer and the sole purchaser of all electricity and water capacity and output from our plant. Payments by ADWEC under the Power and Water Purchase Agreement are our sole source of revenue. Under the Power and Water Purchase Agreement, we are entitled to receive capacity charges from ADWEC. These capacity charges are payable by ADWEC regardless of the dispatch level instructed by Transco. No other entity, besides ADWEC, is currently licensed in the Emirate of Abu Dhabi to purchase the capacity and output of our plant. If ADWEC were to cease fulfilling its obligations under the Power and Water Purchase Agreement, we would not be able to sell our plant's capacity and output to another purchaser, absent a change in law. In addition, ADWEC's payment obligations under the Power and Water Purchase Agreement in respect of monthly capacity charges are not guaranteed by the Government of the Emirate of Abu Dhabi or any other entity. In the event that ADWEC fails to make payment of any capacity charges or output charges within 30 days of the due date, or any other payment within 60 days of the due date or

within other limited cure periods, our sole remedy is to terminate the Power and Water Purchase Agreement and exercise our right to require ADWEC to purchase our project.

We can provide no assurance that the exercise of our right to require ADWEC to purchase our project and the completion of such purchase in the event of our termination of the Power and Water Purchase Agreement upon ADWEC's default will be achieved in time to make timely payments on our debt (including the Bonds). The Power and Water Purchase Agreement with ADWEC only retains its value to the extent that ADWEC is able to retain its creditworthiness. We are dependent on ADWEC's creditworthiness and the ongoing financial support it receives from ADWEA and the Government of the Emirate of Abu Dhabi from time to time. If ADWEC's creditworthiness materially deteriorates and/or if ADWEA or the Government of the Emirate of Abu Dhabi ceases to provide the requisite financial support to ADWEC, ADWEC may no longer be able to fulfill its obligations under the Power and Water Purchase Agreement. If ADWEC is in default under the Power and Water Purchase Agreement, including by way of illustration, due to non-payment of the capacity charges or output charges, our only recourse will be to declare a default and exercise our right to require ADWEC to purchase our project at a price that is at least equal to the outstanding principal amount of, and the amount of accrued interest on, our borrowings (including the Bonds and Bond Redemption Amounts) as at the specified termination date under the Power and Water Purchase Agreement, together with certain termination costs (including Bond Redemption Amounts). See "*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Termination Costs*". While this purchase price is sufficient to cover the principal amount of, and accrued interest on, our debt (including the Bonds), plus termination costs, including Bond Redemption Amounts, and the obligation of ADWEC to make certain termination payments is further supported by a guarantee of the Government of the Emirate of Abu Dhabi, we can provide no assurance that payment will be made and, accordingly, our revenues may be adversely affected and we may not be able to make payments on our debt (including the Bonds).

***ADWEC is owned and regulated by the Government of the Emirate of Abu Dhabi. We could be adversely affected if the Government of the Emirate of Abu Dhabi changes the laws that regulate or impact the water and electricity sector in the Emirate of Abu Dhabi.***

ADWEC is a company indirectly owned by the Government of the Emirate of Abu Dhabi. If the Government of the Emirate of Abu Dhabi changes the laws that regulate or impact the water and electricity sector in the Emirate of Abu Dhabi in a manner that affects the status or the operations of ADWEC, ADWEC's ability to make payments under the Power and Water Purchase Agreement may be impaired and, accordingly, our revenues may be adversely affected and we may not be able to make payments on our debt (including the Bonds).

***If ADWEC's power and water procurement license is suspended or revoked, ADWEC's ability to make payments under the Power and Water Purchase Agreement will be impaired.***

ADWEC's power and water procurement license is issued by the Regulation and Supervision Bureau. If ADWEC's power and water procurement license is suspended or revoked due to a violation by ADWEC of an applicable law or the terms and conditions of such license, ADWEC's ability to make payments under the Power and Water Purchase Agreement will be impaired and accordingly, our revenues will be adversely affected and we will not be able to make payments on our debt (including the Bonds). If ADWEC is unable or fails to pay capacity charges (on which we are dependent to make payments of our debt (including the Bonds) on a timely basis or is otherwise in default under the Power and Water Purchase Agreement, our only recourse will be to declare a default and exercise our right to require ADWEC to purchase our project at a price that is at least equal to the outstanding principal amount of, and the amount of accrued interest on, our borrowings (including the Bonds and Bond Redemption Amounts) as at the specified termination date under the Power and Water Purchase Agreement, together with certain termination costs (including Bond Redemption Amounts). See "*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Termination Costs*". While this purchase price is sufficient to cover the principal amount of, and accrued interest on, our debt (including the Bonds), plus termination costs, including Bond Redemption Amounts, and the obligation of ADWEC to make certain termination payments is further supported by a guarantee of the Government of the Emirate of Abu Dhabi, we can provide no assurance that payment will be made and, accordingly, our revenues may be adversely affected and we may not be able to make payments on our debt (including the Bonds).

***We are dependent on ADWEC for our entire supply of natural gas and there can be no assurance that there will be enough natural gas or other cost-efficient sources of fuel available to meet our production needs.***

Our plant can operate using either natural gas as a primary fuel, or liquid fuel oils consisting of diesel as a secondary fuel. All of our gas requirements are provided by ADWEC, which enters into long-term contracts with natural gas suppliers, and the supply it receives is divided between us and the other power (or power and water) projects. As a result, we receive a share of the natural gas available to ADWEC, which may not always be sufficient for our operating purposes.

There can be no assurance that natural gas supplies will be sufficient in the future to meet all of our natural gas requirements or that ADWEC will be able to meet all of our forecasted demands, which may result in a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

We note in particular that the natural gas supplied by ADWEC under the Power and Water Purchase Agreement, which is required to operate our plant, is sourced from Dolphin Energy Ltd (“**Dolphin**”), established by the Government of the Emirate of Abu Dhabi in 1999; Dolphin produces and processes natural gas from the State of Qatar and transports natural gas to our plant by subsea and land-based pipelines. Recently, there has been a political dispute between several countries, including the United Arab Emirates, and the State of Qatar. This political dispute has resulted in an economic embargo on, and the severing of political ties by several countries, including the United Arab Emirates, with the State of Qatar. While to date there has been no disruption of the gas supply from the Dolphin pipeline, we can make no guarantee that the political dispute will not result in any disruption in the future.

***We have limited remedies against ADWEC under the Power and Water Purchase Agreement.***

ADWEC is, in certain circumstances, obligated to purchase our project at a price that is at least equal to the outstanding principal amount of, and the amount of accrued interest on, our borrowings (including the Bonds and Bond Redemption Amounts) as at the specified termination date under the Power and Water Purchase Agreement, together with certain termination costs (including Bond Redemption Amounts). If ADWEC were to fail to agree on the calculated amount of the termination amount or were to fail to pay the amount to which it had agreed, we would be obliged to commence arbitration proceedings against ADWEC under the Power and Water Purchase Agreement in the city of Abu Dhabi under the Federal Laws and the laws of the Emirate of Abu Dhabi, regulated by the Rules of the ICC, for an arbitral determination of the termination amount. If we are successful in deterring an arbitral award against ADWEC, the obligation of ADWEC to pay this purchase price will be guaranteed by the Government of the Emirate of Abu Dhabi under the Procurer Credit Support. We can provide no assurance that ADWEC will agree to the termination amount in accordance with the terms of the Power and Water Purchase Agreement in an amount sufficient to make payments to repay our debt (including the Bonds) or, if ADWEC agrees to the termination amount in accordance with the terms of the Power and Water Purchase Agreement in an amount sufficient to make payments on our debt (including the Bonds) that ADWEC will make payment of the agreed termination amount in time to make payments on our debt (including the Bonds).

***We may have limited remedies against the Government of the Emirate of Abu Dhabi under its guarantee of the termination payments.***

Under certain circumstances, the obligation of ADWEC to pay the purchase price under the Power and Water Purchase Agreement will be guaranteed by the Government of the Emirate of Abu Dhabi under the Procurer Credit Support. If the Government of the Emirate of Abu Dhabi fails to pay the awarded termination amount in full within fourteen days of our demand to the Government of the Emirate of Abu Dhabi, we would have to commence legal proceedings against the Government of the Emirate of Abu Dhabi before the competent court of the Emirate of Abu Dhabi to obtain a pecuniary judgment for the termination amount (or balance thereof), which proceedings will be conducted under the Federal Laws and the laws of the Emirate of Abu Dhabi and the Emirate of Abu Dhabi courts’ procedures. We can provide no assurance that we will be successful in legal proceedings before the competent court of the Emirate of Abu Dhabi against the Government of the Emirate of Abu Dhabi under the Procurer Credit Support.

***ADWEC is entitled to terminate the Power and Water Purchase Agreement for default by us, in which case we will lose our sole source of revenue.***

ADWEC is entitled to terminate the Power and Water Purchase Agreement for default which is not cured, within agreed cure periods. In such case we will lose our sole source of revenue. In the event of termination of the Power and Water Purchase Agreement for our default, ADWEC has the right but not the obligation to purchase our project. If ADWEC exercises its right to purchase our project in such circumstance, the purchase price to be paid by ADWEC pursuant to Appendix F to the Power and Water Purchase Agreement on completion of such purchase should be sufficient to cover payment to repay the outstanding principal of, and accrued interest on, our debt (including the Bonds), together with certain termination costs (including the Bond Redemption Amounts). However, in such circumstances (*i.e.*, termination by ADWEC of the Power and Water Purchase Agreement due to our default), ADWEC’s payment of the applicable purchase price is not guaranteed by the Government of the Emirate of Abu Dhabi and we will be dependent on ADWEC alone to fulfill its payment obligations.

***ADWEC's role in the sector could change and ADWEC could face competition in the future.***

ADWEC is currently the sole purchaser of all power generation and water production capacity from licensed power generation and water production operators in the Emirate of Abu Dhabi. ADWEC is also the sole supplier of power and potable water to licensed distribution operators in the Emirate of Abu Dhabi. As such, ADWEC does not currently face any competition. However, there can be no assurance that the Government of the Emirate of Abu Dhabi will not open the power and water markets to competitors or allow bypass sales of power and water by providers of power generation or water production capacity to persons other than ADWEC in the future. In addition, no assurance can be made that ADWEC's role in the sector will not change in the future.

Furthermore, while electricity and water within each of the Emirate of Abu Dhabi, the Emirate of Dubai, the Emirate of Fujairah and the Emirate of Sharjah are currently supplied by separate utility providers serving each of these Emirates, there is no assurance that the supply of electricity and water will continue to be managed at a local rather than a federal level in the United Arab Emirates, or that ADWEC will not face competition from one of the other electricity and water authorities within the United Arab Emirates. The introduction of competition, whether in the Emirate of Abu Dhabi or the United Arab Emirates, could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

**Risks Relating to the Bonds**

***We will have substantial debt and will require a significant amount of cash flow to meet our obligations under our debt and to sustain our operations. We may not be able to service our debt or generate or raise additional funding.***

We have incurred substantial debt in connection with the ownership, operation and maintenance of our project and will incur additional debt in connection with the offering of the Bonds. Following the completion of the offering of the Bonds, we estimate that we will have long-term debt of at least US\$1.15 billion. Our high degree of leverage could have important consequences for Bondholders, including:

- (a) making it more difficult for us to service our obligations under the Bonds or other debt, and if we fail to comply with these requirements, an event of default could arise under the terms of our financing documents; and
- (b) limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Our assets, including our cash flow, will be the sole sources of funds for the payment of principal of and interest on our debt (including the Bonds). Our ability to service the Bonds and our other debt will depend on future operating performance, which is subject to the risks described elsewhere in this Offering Memorandum. Operating and maintenance expenses, capital costs, United Arab Emirates taxes and royalties payable to the United Arab Emirates, if any, will be payable prior to our making payment on our debt (including the Bonds). No assurances can be given that our revenues will be sufficient to pay operating and maintenance expenses, United Arab Emirates taxes and royalties payable to the United Arab Emirates, if any, capital costs and our debt (including the Bonds).

If our cash flows are not sufficient to meet our debt service requirements, to the extent permitted by the terms of our existing debt (including the Bonds) we may raise additional funds by way of an equity offering, sale of debt securities or incurrence of other debt to finance or to refinance our obligations, by way of disposal of assets in order to make such scheduled payments. There can be no assurance that we would be able to effect any such transactions or do so on favorable terms.

***There is no recourse to our Sponsors or our Shareholders for repayment of our debt.***

Other than to the extent of the third-party security provided by certain of our Shareholders, the Bondholders will have no recourse, either jointly or severally, to our Sponsors, our Shareholders or any of their respective affiliates (other than us) for payments in respect of the Bonds and none of Sponsors, our Shareholders or anyone else has guaranteed any payments in respect of the Bonds. The obligation to make payments in respect of the Bonds will solely be our own obligation and the Bondholders will have a claim against us only.

***The Bondholders will be secured only to the extent of the value of the collateral that has been granted as security for the Bonds, and such collateral may not be sufficient to satisfy our obligations under the Bonds.***

The Bondholders will be secured only to the extent of their share of the value of the proceeds of the collateral in respect of which security has been granted for the benefit of the Bonds. Such security also secures our obligations under our other principal financing documents (including our indebtedness under the Term Facility Agreement, the Working Capital Facility Agreement and any Senior Permitted Hedging Agreement). There is no requirement for us to provide

funds to enhance the value of the collateral if it is insufficient to discharge the liabilities owed by us to the Bondholders. The proceeds of any sale of the collateral following an event of default will be shared between the Bondholders and all of our other senior secured creditors and the Bondholders' share of such proceeds may not be sufficient to satisfy, and may be substantially less than, the amount owed by us in respect of the Bonds.

The amount of the proceeds realized upon the enforcement of the security will depend upon many factors, including, among others, whether or not our project is sold as a going concern, the availability of buyers and the condition of the collateral. The book value of the collateral should not be relied on as a measure of realizable value for the collateral. By its nature, some or all of the collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. In addition, our business requires a variety of licenses and permits. In the event that the security is enforced, the grant of licenses and permits may be revoked, the transfer of such licenses and permits may be prohibited or may require us to incur significant costs and expenses. Further, we cannot assure the Bondholders that applicable governmental authorities will consent to the transfer of all such licenses and permits. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the enforcement of security may be delayed, temporary or permanent shutdown of our operations may result, and the value of the collateral may be significantly decreased.

If the proceeds of any sale of collateral are not sufficient to repay all amounts due on the Bonds, the Bondholders (to the extent not repaid from the proceeds of the sale of the collateral) would have only an unsecured claim against us.

***There are limitations on the creation, perfection and enforcement of security interests that could affect the Bondholders' rights.***

The security securing the Bonds will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the Security Documents and the Common Terms Agreement. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Bonds, as well as the ability of the Offshore Security Trustee and the Onshore Security Trustee to realize or foreclose on such collateral. Furthermore, the ranking of the security can be affected by a variety of factors, including, among other things, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of the relevant jurisdictions.

In addition, the grant of security in favor of the Bondholders is subject to the requirements and constraints of United Arab Emirates law, in, among other things, the facilities owned by us in the Emirate of Fujairah and English law with respect to the Second Offshore Deed of Charge and Assignment, respectively. Pursuant to the Global Amendment and Restatement Agreement, we will be required to perfect the various security interests granted under certain of the Security Documents within 90 days from the Effective Date. In particular, the amendments in relation to the respective Company Share Pledge Agreements, the Commercial Mortgage and Onshore Security Agreement and the Lease Mortgage are required to be registered in accordance with the laws of the Emirate of Fujairah within such 90-day period. In addition, the various notices and acknowledgments of assignment required with respect to the perfection of the Offshore Deed of Charge and Assignment will also need to be obtained within such 90-day period.

However, where in the case of the Company Share Pledge Agreements, the Commercial Mortgage and Onshore Security Agreement and the Land Lease, such registration requires the confirmation of the relevant authorities in the Emirate of Fujairah, we provide no assurance that such documents will be registered within the permitted timeframe or at all. See "*Summary of Principal Finance Documents—Global Amendment and Restatement Agreement*".

The Bondholders may face certain legal obstacles and practical difficulties associated with the realization of security interests under United Arab Emirates law. Although we will, pursuant to each of the Common Terms Agreement and the Global Amendment and Restatement Agreement, take all actions as may be reasonably necessary to grant and perfect the security interests in such assets, we cannot give any assurance that the Bondholders will be able to effectively realize the value of such assets upon any enforcement, foreclosure or public auction.

Further, in relation to the security which comprises future assets and rights, these are secured through the relevant security provider executing addenda to such security documents that identify such assets and rights on a periodic basis. In the case of registered mortgages, such addenda would also have to be registered. If the relevant security provider has granted to any third party a security over any such assets and rights prior to the execution and, if applicable, registration of the relevant addenda, the security created pursuant to the addenda will be subject to such third party's security interests.

***The Bondholders' ability to exercise remedies under the Indenture and the Common Terms Agreement may be limited.***

The Bondholders will not have any independent right to take enforcement action against us. Pursuant to the Common Terms Agreement to which each of our senior secured creditors, including the Bondholders, are party, only representatives of the senior secured creditors holding the required percentage of the outstanding aggregate principal amount of the senior secured debt can instruct the Global Facility Agent to exercise remedies or to initiate any enforcement action against us or the security. The Bondholders and the other senior secured creditors could have interests that are different from one another and they may not agree on the appropriate manner of pursuing their rights or remedies against us. In such an event, the Bondholders may be bound by an exercise of rights, remedies or other enforcement action that is taken by other senior secured creditors in accordance with the Common Terms Agreement which has not been approved by the Bondholders and which may be adverse to the interests of the Bondholders. See “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters*”.

***We may amend or waive some of the provisions of our financing documents without Bondholder consent if our other senior secured creditors outvote the Bondholders. The interests of the Bondholders and the interests of our other senior secured creditors may not be consistent.***

Pursuant to the Common Terms Agreement, we are permitted to amend or obtain waivers of certain provisions of the Finance Documents with the consent of a specified majority of our senior secured creditors, which may in certain circumstances not include the consent of the Bondholders. The interests of the Bondholders and the interests of our other senior secured creditors may not be consistent and, therefore, we may be able to amend, obtain waivers or consents, or otherwise modify certain terms of the Common Terms Agreement in a manner that would adversely affect the rights and interests of the Bondholders without the consent of the Bondholders to such amendment, waiver, consent or other modification. See “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters*”.

***The credit ratings of the Bonds may be suspended, downgraded or withdrawn, which could have an adverse effect on the value of an investment in the Bonds.***

Prior to the issuance of the Bonds, it is expected that, subject to final documentation, the Bonds will be rated A2 (stable outlook) by Moody's and A- (stable outlook) by S&P. Any credit ratings of the Bonds may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Offering Memorandum and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold the Bonds and reflects only the view of the applicable rating agency at the time the rating is issued. Any explanation of the significance of the rating may be obtained from the relevant rating agency. Credit ratings are subject to revision, suspension, downgrade or withdrawal at any time by the assigning rating agency. We 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. A suspension, downgrade or withdrawal at any time of the credit rating assigned to the Bonds may adversely affect their market price.

***The Indenture will not be qualified under the Trust Indenture Act and the obligations of the Bond Trustee are limited.***

The Indenture will not be qualified as an indenture under the Trust Indenture Act of 1939 (the “**Trust Indenture Act**”), and the Bond Trustee will not be required to qualify as a trustee under the Trust Indenture Act. Thus, the Bondholders will not have the benefit of the protection of the Trust Indenture Act with respect to the Indenture or the Bond Trustee. The protections generally afforded to the holder of a security issued under an indenture that has been qualified under the Trust Indenture Act include:

- (a) disqualification of the indenture trustee for “conflicting interests”, as defined in the Trust Indenture Act;
- (b) provisions preventing a trustee that is also a creditor of the Issuer from improving its own credit position at the expense of the security holders immediately prior to or after a default under such indenture;
- (c) the requirement that the indenture trustee deliver reports at least annually with respect to certain matters concerning the indenture trustee and the securities; and
- (d) unanimous voting thresholds for certain amendments.

***Transfer of the Bonds will be restricted under applicable securities laws.***

We have not registered the offer of the Bonds under the Securities Act or any other securities laws. Bondholders may not offer or sell the Bonds, except pursuant to an exemption from, or in a transaction not subject to, the registration

requirements of the Securities Act and other applicable securities laws. It is the obligation of each Bondholder to ensure that offers and sales of the Bonds comply with applicable law.

In addition, each purchaser or transferee of a Bond in the form of an interest in a Rule 144A Bond will be deemed to represent, among other things, that it is a QIB. Each purchaser or transferee of a Bond in the form of an interest in a Regulation S Bond will be deemed to represent, among other things, that it is a non-U.S. Person. The Indenture will give us the right to force the sale of an interest in a Rule 144A Bond held by a U.S. Person who is determined not to have been a QIB and will give us the right to force the sale of an interest in a Regulation S Bond held by a U.S. Person. A holder of an interest in a Bond that is required to sell such interest in such circumstance may not be able to sell such interest at a price equal to or greater than the purchase price of such interest and may not be able to invest the proceeds from the sale of such interest in an alternative investment that will provide the same return relative to the level of risk assumed on such interest. No payments will be made on any interest in a Bond that we require to be sold in such circumstances from the date notice of the sale requirement is sent to the date on which the interest is sold. See “*Transfer Restrictions*”.

***There can be no assurance that an active market for the Bonds will develop or be maintained.***

The Bonds are new securities for which there is currently no market. There can be no assurance that an active market for the Bonds will develop, or if it does develop, that it will continue. Moreover, if a market for the Bonds does develop, the Bonds could trade at prices that may be higher or lower than the initial offering price thereof depending on a number of factors, including prevailing interest rates, our operating results, events in the United Arab Emirates or elsewhere in the Middle East and the market for similar securities. If a market for the Bonds does not develop or continue, purchasers may be unable to resell the Bonds for an extended period of time, if at all. Consequently, a purchaser of the Bonds may not be able to liquidate its investment readily, and the Bonds may not be readily accepted as collateral for loans.

***Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021 may adversely affect the value of the Bonds.***

Regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting civil and criminal investigations into whether the banks that contribute to the British Bankers’ Association (the “**BBA**”) in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR. Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined or the establishment of alternative reference rates. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intended to stop persuading or compelling banks to submit LIBOR rates after 2021. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom, in the United States or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based securities, including the Bonds. Reform, replacement or disappearance of LIBOR and proposed regulation of LIBOR and other “benchmarks” may adversely affect the value of, and return on, the Bonds.

***The Bonds will be held in book-entry form and therefore you must rely on the procedures of the relevant clearing system to exercise any rights and remedies.***

The Bonds will be issued in global form. The Rule 144A Bond will be deposited, on the closing date, with, or on behalf of, a common depository for the accounts of DTC and registered in the name of the nominee of the common depository. The Regulation S Bond will be deposited, on the closing date, with, or on behalf of, a common depository for the accounts of Euroclear and Clearstream, Luxembourg and registered in the name of the nominee of the common depository.

Ownership of the Book-Entry Interests will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, and their participants. Owners of Book-Entry Interests in the Global Bonds will not be entitled to receive Definitive Bonds in registered form, except under the limited circumstances described in the Indenture. So long as the Bonds are held in global form, owners of Book-Entry Interests will not be considered the owners or holders of the Global Bonds. The common depository for DTC, Euroclear and/or Clearstream, Luxembourg or their respective nominee(s), as applicable, will be considered the sole holders of the applicable Global Bonds.

Payments of any amounts owing in respect of the Global Bonds (including principal, premium, interest and Additional Amounts, if any) will be made by us to the Paying Agent. The Paying Agent will, in turn, make such payments to the nominee for DTC, Euroclear and/or Clearstream, Luxembourg, as applicable. The nominee will in turn distribute such payments to participants in accordance with its procedures. After payment to the nominee for DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book-Entry Interests. Accordingly, owners of Book-Entry Interests must rely on the procedures of DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, and the procedures of the participant or indirect participant through which the owner holds its interest, to exercise any rights and obligations of a Bondholder under the Indenture or the Common Terms Agreement.

Unlike the Bondholders themselves, owners of Book-Entry Interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Bondholders. Instead, owners of Book-Entry Interests will be permitted to act only to the extent they have received appropriate proxies to do so from DTC, Euroclear and/or Clearstream, Luxembourg, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable owners of Book-Entry Interests to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until registered Definitive Bonds are issued in respect of Book-Entry Interests, owners of a Book-Entry Interest will be restricted to acting through DTC, Euroclear and/or Clearstream, Luxembourg, as applicable. The procedures to be implemented through DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, may not be adequate to ensure the timely exercise of rights under the applicable Global Bonds.

***The Bonds are subject to early redemption under certain circumstances***

The Bonds are subject to redemption:

- (a) with the payment of a make-whole premium in case of an Optional Redemption or under certain events described under “*Description of the Bonds—Redemption Provisions*”; and
- (b) without payment of a make-whole premium in the event of specified changes affecting the taxation of the Bonds and upon receipt by the Issuer of proceeds, including, certain insurance proceeds and proceeds received for the expropriation of the project,

in each case, if certain conditions are met (if applicable). Accordingly, the Bondholders may not control how long they will hold the Bonds (and thus the return on their investment) and may not be able to find suitable reinvestment opportunities.

***Bondholders may be unable to effect service of process within the United States upon our directors or officers or to enforce judgments against them or us in the U.S. courts.***

All of our directors and officers and all or a significant portion of the assets of such persons may be, and all or substantially all of our assets are, located outside the United States. In addition, the United Arab Emirates is a foreign sovereign state. As a result, it may not be possible for Bondholders to effect service of process within the United States upon such persons or to enforce judgments or arbitral awards against them or against us in U.S. courts or to enforce, in the United Arab Emirates, court judgments obtained in U.S. courts or arbitral awards obtained in the United States, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws.

**Risks Relating to the United Arab Emirates**

***Bondholders may not be able to recover against us, given that one of our Shareholders is owned by the Government of the Emirate of Abu Dhabi.***

In the United Arab Emirates, there is no written law or regulation concerning any immunity to which government entities are entitled as sovereign entities. However, although government entities can be sued, their assets are not available for attachment and Article 247 of Federal Law No. (11) of 1992 provides that public assets owned by the United Arab Emirates or any of the Emirates may not be confiscated. Our majority Shareholder is indirectly owned by the Government of the Emirate of Abu Dhabi. We have waived our rights in relation to sovereign immunity under the Common Terms Agreement and certain other financing documents. However, there can be no assurance as to whether any waivers of immunity from suit, execution, attachment or other legal process by us are valid and binding under the laws of, and applicable in, the United Arab Emirates.

***The United Arab Emirates has a relatively untested bankruptcy regime, which may adversely affect the ability of Bondholders to enforce their rights in the United Arab Emirates including their rights in respect of security.***

In the event of our insolvency or the insolvency of the Local Shareholder or the International Shareholder, (each a “**Relevant Obligor**”), United Arab Emirates bankruptcy law may adversely affect such Relevant Obligor’s ability to perform its obligations under the financing documents.

In October 2016, Federal Decree No. (9) of 2016 Concerning Bankruptcy (the “**United Arab Emirates Bankruptcy Law**”) was issued to implement new measures containing provisions to safeguard the rights of creditors and debtors. The United Arab Emirates Bankruptcy Law replaces Federal Law No. (18) of 1993 and the Relevant Obligors fall within its scope. The United Arab Emirates Bankruptcy Law establishes a permanent committee named the “Committee of Financial Reorganisation”, which is in charge of supervising the management of procedures of financial reorganization for financial institutions licensed by the relevant regulators, and to facilitate mutual agreement between debtors and creditors with the assistance of one or more experts appointed by such committee. The United Arab Emirates Bankruptcy Law also sets out the procedures of bankruptcy aimed at assisting a debtor to reach reconciliation with its creditors pursuant to a plan of bankruptcy under the supervision of a court and assistance of a justice of the peace appointed in accordance with the provisions of the United Arab Emirates Bankruptcy Law. Given that the United Arab Emirates Bankruptcy Law only recently came into force, on December 29, 2016, it is not yet clear how the new law and the procedures which it introduces will operate in practice and how it will affect Federal Law No. (5) of 1985 on Civil Transactions and Procedures (the “**Civil Code**”) and Federal Law No. (8) of 1980, as amended (the “**Labor Law**”).

In addition, the respective laws under which each Relevant Obligor was incorporated also contain rules and procedures governing dissolution and winding up which are applicable with respect to such Relevant Obligor. Certain of these rules and procedures are supervised by the United Arab Emirates courts and/or a trustee in bankruptcy, which are granted certain discretions. There can be no assurance that a United Arab Emirates court would compel a bankruptcy administrator to perform any of a Relevant Obligor’s obligations under the Finance Documents during an administration period. In relation to the undertakings given and obligations assumed by the Relevant Obligors under the Shareholders’ Direct Agreement in respect of contractual subordination, although contractual subordination of debts and liabilities may possibly be permitted under United Arab Emirates law, the enforcement of such provisions is largely untested and there can be no assurance that a United Arab Emirates court would compel a bankruptcy administrator to honor such undertakings and obligations.

Furthermore, any distribution to be made in the event of our insolvency must comply with the priority rights outlined below:

- (a) Articles 1512 and 1513 of the Civil Code provide for two general priority rights ranking in the following manner: “judicial costs expended for the common benefit of creditors in preserving the property of the debtor and selling the same” and “taxes, imposts and other rights of any kind whatsoever owing to the government”;
- (b) in relation to moveable property, Article 1514 of the Civil Code provides for a priority right over such assets for “costs expended in preserving or repairing moveable property” to be subordinated to the rights mentioned in the paragraph above. In relation to debt arising out of a tenancy contract, Article 1519 of the Civil Code provides for a priority right over “chattels and produce which are on the property leased, notwithstanding that they may be owned by a sub-tenant”; and
- (c) Article 4 of the Labor Law provides for a priority interest in favor of workers over the entire assets of their employer in respect of monies owed under the Labor Law, which include wages, end of services gratuity and industrial compensation. This priority right is subordinate to the settlement of legal expenses and monies due to the government. Further, the United Arab Emirates Federal Pensions and Social Security Law No. (7) of 1999, as amended, confers a priority right in respect of pension contributions.

***The Emirate of Abu Dhabi’s credit ratings may change and any ratings downgrade could, in turn, adversely affect the value of our Bonds.***

The Emirate of Abu Dhabi has a long-term foreign currency debt rating of AA with a stable outlook from S&P, a long-term foreign currency issuer default rating of AA with a stable outlook from Fitch and a long-term foreign currency issuer default rating of Aa2 with a stable outlook from Moody’s.

A credit rating is not a recommendation to buy, sell or hold any debt and reflects only the view of the applicable rating agency at the time the rating is issued. Any explanation of the significance of the rating may be obtained from the relevant rating agency. Credit ratings are subject to revision, suspension, downgrade or withdrawal at any time by the assigning rating agency.

The Emirate of Abu Dhabi 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. Our credit rating is dependent on the creditworthiness of the Emirate of Abu Dhabi, consequently if the Emirate of Abu Dhabi were to be downgraded depending on the methodologies of the rating agencies, the Bonds may also be downgraded. We have no control over the rating of the Emirate of Abu Dhabi or the opinions of the rating agencies. A suspension, downgrade or withdrawal at any time of the Emirate of Abu Dhabi's credit rating may impact the rating of the Bonds which may, in turn, adversely affect the market price of the Bonds.

***The United Arab Emirates may introduce corporation or value added tax.***

We are not currently subject to corporation tax on our profits within the United Arab Emirates, although there is no guarantee that this will continue to be the case. The Government of the United Arab Emirates has announced its intention to implement a value added tax regime in the United Arab Emirates (which, as at the date of this Offering Memorandum, is expected to be introduced at the rate of 5% with effect from January 1, 2018 pursuant to Federal Decree-Law No. (8) of 2017).

While any implementation of corporation tax or value added tax would qualify as a change in law (and accordingly, as an EGAI) under the Power and Water Purchase Agreement, which would enable us to claim increased costs and lead to the capacity charges and output charges being adjusted to ensure that we receive the same net, after tax, economic return as if such Costs were not incurred, given that the consequences of any implementation of such taxes are not yet known and cannot be predicted and it is possible that ADWEC may contest our claim for increased costs under the Power and Water Purchase Agreement, such implementation could have a material adverse effect on our business, results of operations and/or financial condition, including on our ability to make payments on our debt (including the Bonds).

**Risks Relating to Enforcement**

***Prospective purchasers of the Bonds may experience difficulties in enforcing foreign judgments and foreign arbitration awards in the United Arab Emirates.***

The payments under the Bonds are dependent upon the Issuer making payments to investors in the manner contemplated under the Bonds. 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.

Furthermore, to the extent that the enforcement of remedies must be pursued in the United Arab Emirates, it should be borne in mind that there is limited scope for self-help remedies under United Arab Emirates law and that generally enforcement of remedies in the United Arab Emirates must be pursued through the courts.

The United Arab Emirates is a civil law jurisdiction and judicial precedents in the Emirate of Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in the Emirate of Abu Dhabi are generally not recorded. These factors contribute to judicial uncertainty. Furthermore, there can be no assurance that a judgment in U.S. dollars would be awarded by the United Arab Emirates courts in relation to the documents and agreements whose terms are expressed in U.S. dollars.

Any disputes in relation to the English law governed finance documents and New York law governed finance documents will be referred to and resolved by arbitration in London in accordance with the LCIA Rules.

The United States does not have any treaty with the United Arab Emirates providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and accordingly the courts of the United Arab Emirates are unlikely to enforce the judgment of a United States court without re-examining the merits of the claim and may not observe the parties' choice of New York law as the governing law of the various financing documents and other transaction documents. In the United Arab Emirates, foreign law is required to be established as a question of fact and the interpretation of New York law by a court in the United Arab Emirates may not accord with the interpretation of a New York court. Moreover, judicial precedent in the United Arab Emirates has no binding effect on subsequent decisions and there is no formal system for the reporting of court decisions in the United Arab Emirates. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions.

As a matter of United Arab Emirates law, United Arab Emirates courts will order the execution and implementation of a foreign court judgment only if:

- (a) United Arab Emirates courts have no jurisdiction over the dispute and the foreign court has proper jurisdiction;

- (b) the foreign judgment or order has been handed down by a court of competent jurisdiction according to the law of the country in which it was passed;
- (c) the party against whom the judgment or order was passed was properly served and represented in the proceedings in the foreign jurisdiction;
- (d) the judgment or order reached was final; and
- (e) the foreign judgment or order does not contradict a decision or order rendered by a court in the United Arab Emirates or violate the public policy or morals of the United Arab Emirates.

In practice, the above criteria are likely to be applied restrictively and it is therefore unlikely that a judgment passed or order issued by a foreign court would be enforced or recognized by the courts of the United Arab Emirates. An attempt to enforce such judgment or order in the United Arab Emirates is likely to amount to a re-hearing of the dispute.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”) entered into force in the United Arab Emirates on November 19, 2006. Any arbitration award rendered in London should therefore be enforceable in the Emirate of Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the United Arab Emirates has an obligation to recognize 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 Emirate of 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 United Arab Emirates. In practice, however, whether the Emirate of 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 United Arab Emirates 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 United Arab Emirates 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 Emirate of Abu Dhabi courts in practice and whether the Emirate of 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.

***Future attitudes of United Arab Emirates courts regarding interest cannot be predicted.***

Although, under the Federal Laws and the laws of the Emirate of Abu Dhabi and the Emirate of Fujairah, contractual provisions for the charging and payment of interest are permissible and have been routinely enforced, a court applying the Federal Laws and the laws of the Emirate of Abu Dhabi and the Emirate of Fujairah may not enforce such a provision either to pay interest on interest or to the extent that, on a given date, accrued but unpaid interest exceeded outstanding principal. The future attitude of the courts and the laws regarding interest of the United Arab Emirates, the Emirate of Abu Dhabi and the Emirate of Fujairah cannot be predicted.

***There is no principle of binding precedent in the United Arab Emirates courts.***

There is no doctrine of binding precedent in the United Arab Emirates courts and decisions of the United Arab Emirates courts are not regularly published. As a result, any experience with and knowledge of prior rulings of the United Arab Emirates courts may not be a reliable basis from which to predict decisions that United Arab Emirates courts may adopt in the future. The outcome of any legal disputes remains uncertain.

***There are limitations on the creation, perfection and enforcement of security interests in the United Arab Emirates.***

Federal Law No. (20) of 2016 concerning security over moveable assets (the “**Moveables Mortgage Law**”) has provided a basis for registerable security to be created over certain moveable assets, which could include the assignment of rights under certain contracts as part of the collateral securing the Bonds. There is also provision for such security to extend to future assets and for certain matters of enforcement without the involvement of the United Arab Emirates courts. The detailed implementing regulations relating to such out of court enforcement have not yet been published. There can be no assurance that the security held by the Onshore Security Trustee would be determined as being created under the Moveables Mortgage Law and accordingly that it could be enforced without the need for a court order. Any enforcement of the security by the Onshore Security Trustee may therefore be subject to the discretion of the United Arab Emirates courts. Security created outside the scope of the Moveables Mortgage Law, under alternative provisions of United Arab Emirates law, will be effective only in relation to assets and rights which are specifically identified and existing at the time of creation of such security.

In the absence of the implementing regulation for the Moveables Mortgage Law, the assignment of security interests and the means of perfecting such security interest are currently not specifically provided for under United Arab Emirates law. The United Arab Emirates courts have held such arrangements to be a contractual arrangement between the relevant parties and have enforced such arrangements in the past. In some instances, the United Arab Emirates courts have held that acknowledgment of the underlying obligor is required while more recent judgments indicate that notice to the underlying obligor is sufficient to perfect such security interests. There can be no assurance that the United Arab Emirates courts will enforce Bondholders' rights under any assignment of rights agreement as no general system of judicial precedent exists. This means that the decisions of a United Arab Emirate court in one case will have no binding authority in respect of another case.

Outside the new regime to be established under the moveable assets law, judicial sale is the only remedy (over and above normal remedies for breach of contract) available to a mortgagee and pledgee of assets in the United Arab Emirates, and it is a discretionary remedy. To the extent that the security documents provide for additional remedies in the nature of step-in/cure rights, receivership, the use of powers of attorney or otherwise, these will be considered contractual provisions only and would require an order of a United Arab Emirates court in order to be enforced. There can be no assurance that upon an application by the Onshore Security Trustee for enforcement of the relevant security, a United Arab Emirates court will order the sale of the mortgaged or pledged assets at all or in the manner sought by the mortgagee or pledgee or allow any other additional remedies to be enforced.

***There are limitations on the effectiveness of guarantees in the United Arab Emirates and claims under a guarantee may be required to be made within a prescribed period.***

The Government of the Emirate of Abu Dhabi has provided a guarantee in respect of the payment obligations of ADWEC relating to the purchase of the assets of our project in the event of a termination of the power and water purchase agreement in certain circumstances. Under the Federal Laws, the obligation of a guarantor is incidental to the obligations of the principal debtor and the obligations of a guarantor will only be valid to the extent of the continuing obligations of the principal debtor. The Federal Laws do not contemplate a guarantee by way of indemnity of the obligations of the debtor by the guarantor and instead contemplate a guarantee by way of suretyship. Accordingly, it is not possible to state with any certainty whether a guarantor could be obliged by the United Arab Emirates courts to pay a greater sum than the debtor is obliged to pay or to perform an obligation that the debtor is not obligated to perform. In order to enforce a guarantee under the Federal Laws, the underlying debt obligation for which such guarantee has been granted may need to be proved before the United Arab Emirates courts.

Consequently, if ADWEC's obligation to make payment for the purchase of assets under the power and water purchase agreement cannot be proven to the satisfaction of the competent court of the Emirate of Abu Dhabi, the court may conclude that there is no obligation on the Government of the Emirate of Abu Dhabi to make payment in the full amount claimed under the guarantee.

Furthermore, the Federal Laws provide that where a debt is due, the creditor must claim for the debt within six months of the due date, otherwise the surety (guarantor) in relation to the debt shall be deemed to have been discharged. There are various decisions of United Arab Emirates courts that have held that this provision of the law does not apply to a guarantee that is "commercial" in nature. Generally, in the absence of specific law or agreement to the contrary, a guarantee will be commercial in nature where the guarantor is guaranteeing a debt that is deemed to be commercial with respect to the debtor, or if the guarantor is a trader with an interest in guaranteeing the debt. Although the nature of the guarantee given by the Government of the Emirate of Abu Dhabi appears to be commercial in nature, the interpretation of this issue by any United Arab Emirates court cannot be predicted.

***Certain security documents are expressed to create English law security interests. The following potential grounds for challenge may apply to English law security interests.***

#### *Fixed and Floating Charges*

Under English law, there is a possibility that a court could re-characterize as floating charges any security expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges is not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Floating charge security has a number of deficiencies as compared to fixed charge security. Among other things, if a company is unable to pay its debts at the time of (or as a result of) granting a floating charge, then such floating

charge can be avoided on the action of a liquidator or administrator if it was granted in the period of one year ending with the onset of insolvency (as defined in section 245 of the Insolvency Act 1986, as amended (the “**Insolvency Act**”). The floating charge will, however, be valid to the extent of the value of the consideration provided for the creation of the charge in the form of money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant company at the same time as or after the creation of the floating charge plus interest payable on such amounts, or if the floating charge qualifies as a “security financial collateral agreement” under the Financial Collateral Arrangements (No. 2) Regulations 2003.

#### *Transaction at an Undervalue*

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside security granted by a company (or give other relief) on the grounds that the creation of such security constituted a transaction at an undervalue. The grant of security will only be a transaction at an undervalue if the relevant company receives no consideration or if the company receives consideration of significantly less value, in money or money’s worth, than the consideration given by such company. For a challenge to be made, the security must be granted within a period of two years ending with the onset of insolvency (as defined in section 240 of the Insolvency Act). In addition the company must be “unable to pay its debts” when it grants the security or become “unable to pay its debts” as a result. A court will not make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company.

#### *Preference*

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside security granted by such company (or give other relief) on the grounds that such security constituted a preference. The grant of security is a preference if it has the effect of placing a creditor (or a surety of the company) in a better position in the event of the company’s insolvent liquidation than if the security had not been granted. For a challenge to be made, the decision to prefer must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the Insolvency Act) if the beneficiary of the security interest is not a connected person, or two years if the beneficiary is a connected person. A court will not make an order in respect of a preference of a person unless it is satisfied that the company was influenced in deciding to give it by a desire to produce the “better position” for that person.

#### *Transaction Defrauding Creditors*

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a victim of the relevant transaction could apply to the court for an order to set aside security on the grounds that such security was a transaction defrauding creditors. A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue and the court is satisfied that the purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons.

## USE OF PROCEEDS

You will find the definitions of capitalized terms used and not defined in this section in Annex A, Annex B and as provided elsewhere in this Offering Memorandum.

The proceeds to be received by us from the offering of the Bonds will be US\$400.0 million. We intend to use the proceeds from the offering of the Bonds for the following:

- (a) partial prepayment of the Term Facility;
- (b) funding of the Debt Service Reserve Account in which case such relevant proceeds shall be applied directly to the Debt Service Reserve Account;
- (c) repayment of Subordinated Advances in accordance with the Global Amendment and Restatement Agreement; and
- (d) payment of any other payment required by or expressly permitted under the Global Amendment and Restatement Agreement (including the payment of other fees and expenses in connection with the refinancing which are not included in paragraphs (a) to (c) above) and the Shareholders' Agreement.

The following table reflects the expected sources and uses of funds upon the consummation of the transactions relating to the offering of the Bonds.

<u>Sources of Funds</u>	<u>US\$ Million</u>	<u>Uses of Funds</u>	<u>US\$ Million</u>
Bonds offered hereby	400.0	Partial prepayment of the Term Facility <sup>(1)</sup>	178.3
		Repayment of Subordinated Advances	120.4
		Funding of the Debt Service Reserve Account <sup>(2)</sup>	53.3
		Transaction costs (including swap break costs) <sup>(3)</sup>	48.0
<b>Total Sources</b> .....	<b>400.0</b>	<b>Total Uses</b> .....	<b>400.0</b>

(1) See "Summary of Principal Finance Documents—Global Amendment and Restatement Agreement—Prepayment of Term Banks and Transfer of Participations".

(2) The funding of the Debt Service Reserve Account is an estimated amount and may be impacted by funding cost. Pursuant to the terms of the Common Terms Agreement, the cash funded into the Debt Service Reserve Account may be transferred to the Distribution Accounts in the future if a letter of credit is provided. See "Summary of Principal Finance Documents—Common Terms Agreement—Debt Service Reserve Account".

(3) The payment of transaction costs is an estimated amount and may be subject to change. Any remaining amount may be paid as dividends.

## CAPITALIZATION

The following table sets forth our actual consolidated cash and cash equivalents, capitalization and indebtedness as at September 30, 2017 on an actual basis and on an as-adjusted basis to give effect to the offering of the Bonds and the estimated use of proceeds therefrom, as described in “Use of Proceeds”. Any change in the estimated sources and uses of funds upon the confirmation of the transaction relating to the offering of the Bonds, including the use of proceeds, may result in a further adjustment to our capitalization as presented below.

You should read this table in conjunction with “Disclosure Regarding Forward-Looking Statements”, “Risk Factors”, “Selected Financial Data”, “Operating and Financial Review”, “Our Project”, our Audited Financial Statements and our Unaudited Financial Statements and related notes included elsewhere in this Offering Memorandum.

	As at September 30, 2017			
	Actual	Adjusted	Actual	Adjusted
	(AED thousands)		(US\$ thousands) <sup>(1)</sup>	
<b>Total cash and cash equivalents<sup>(2)(3)</sup></b> .....	<b>193,955</b>	<b>535,668</b>	<b>52,814</b>	<b>145,862</b>
<b>Long-term debt:</b>				
Term Facility <sup>(4)(5)</sup> .....	3,276,313	2,621,521	892,140	713,840
Subordinated Advances <sup>(6)(7)</sup> .....	640,385	198,226	174,377	53,977
Bond Issue .....	-	1,468,968	-	400,000
<b>Total long-term debt</b> .....	<b>3,916,698</b>	<b>4,288,715</b>	<b>1,066,517</b>	<b>1,167,817</b>
Share capital .....	403,896	403,896	109,981	109,981
Statutory reserve <sup>(8)</sup> .....	70,743	70,743	19,263	19,263
Retained earnings.....	330,671	330,671	90,042	90,042
Cumulative changes in fair values of derivatives <sup>(9)</sup> .....	(299,349)	(269,045)	(81,513)	(73,261)
<b>Total equity</b> .....	<b>505,961</b>	<b>536,265</b>	<b>137,773</b>	<b>146,025</b>
<b>Total capitalization<sup>(10)</sup></b> .....	<b>4,422,659</b>	<b>4,824,980</b>	<b>1,204,290</b>	<b>1,313,842</b>

- (1) Figures are provided in US\$ for convenience. We use different exchange rates in our Financial Statements compared to the Computer Model, the conversions in this table and elsewhere in this Offering Memorandum are as set forth in “Presentation of Financial and Other Information—Other Financial Information and Currency Translation”. As a result of these different exchange rates, we anticipate that the actual principal amount outstanding under the Term Facility Agreement, in US\$, following partial prepayment of the Term Loan using part of the proceeds of the offering of the Bonds, will be US\$713,211,097.87.
- (2) Comprises cash in hand and cash at bank (i.e., current accounts and call deposit accounts). Call deposit accounts are made for varying periods of between one day and three months, depending on our immediate cash requirements, and earn interest at the respective short-term deposit rates. The adjusted amount for total cash and cash equivalents (a) reflects the proposed payment of US\$53.3 million into the Debt Service Reserve Account on financial close using the Bond proceeds but (b) does not reflect the estimated use of proceeds to repay our transaction costs other than our swap breakage costs. Pursuant to the terms of the Common Terms Agreement, the cash funded into the Debt Service Reserve Account may be transferred to the Distribution Accounts in the future if a letter of credit is provided. See “Summary of Principal Finance Documents—Common Terms Agreement—Debt Service Reserve Account”.
- (3) As at September 30, 2017, an amount of AED 18.4 million of unutilized overdraft facility was available to us.
- (4) The amount under the Term Facility comprises effective transaction costs and the non-current portion due under the Term Facility.
- (5) The adjusted amount for the Term Facility reflects the proposed prepayment of US\$178.3 million on financial close using the Bond proceeds.
- (6) The amount under the Subordinated Advances comprises loans from our Shareholders to fund the New RO Plant.
- (7) The adjusted amount for the Subordinated Advances reflects the proposed repayment of US\$120.4 million on financial close using the Bond proceeds.
- (8) As required by the Commercial Companies Law, we must transfer at least 10% of our net profit for the year to a non-distributable statutory reserve until the amount of the statutory reserve is equal to 50% of our issued capital.
- (9) The cumulative changes in fair value of derivatives represent the current value of our interest rate swap (hedged) as at September 30, 2017.
- (10) Total equity plus total long-term debt.

## SUMMARY OF THE COMPUTER MODEL

The following information from the Computer Model should be read together with the information contained in “*Disclosure Regarding Forward-Looking Statements*”, “*Risk Factors*”, “*Selected Financial Data*”, “*Operating and Financial Review*” and our Financial Statements and related notes. *You will find the definitions of capitalized terms used and not defined in this description in Annex A, Annex B and as provided elsewhere in this Offering Memorandum.*

The results of the Computer Model are not projections or predictions. A financial model simply illustrates hypothetical results that are mathematically derived from specified assumptions. The Computer Model was designed as a financial forecasting and evaluation tool and not as an operational model. Thus, it will not readily allow comparisons of actual results against forecasts and does not include an ongoing budget comparison facility. The Computer Model has been prepared in U.S. dollars using an exchange rate of AED 3.67242 = US\$1.00 as described in “*Presentation of Financial and Other Information*”. All figures set forth in the Computer Model are six-month semi-annual as at January 31 and July 31 of each year and reflect the repayment dates under the Term Facility Agreement that occur on February 1 and August 1 of each year.

The inclusion of information derived from the Computer Model should not be regarded as a representation by us, our Sponsors, the Initial Purchasers or any other person that the results of the Computer Model will be achieved. Actual capacity, availability, dispatch and production levels, heat-rate, operating, maintenance and capital costs, and interest and inflation rates will almost certainly differ from those assumed for the purposes of any run of the Computer Model. Accordingly, our actual performance and cash flows for any future period will almost certainly differ significantly from those shown by the results of the Computer Model. Prospective purchasers of the Bonds are cautioned not to place undue reliance on the performance or cash flows in the information derived from the Computer Model and should make their own independent assessment of our future results of operations, cash flows and financial condition. KPMG Lower Gulf Limited have not examined the Computer Model and therefore do not express an opinion on it.

We engaged the Model Auditor to review and provide a Model Auditor Report, dated November 29, 2017, on the Computer Model. Subject to the assumptions and comments provided by the Model Auditor in the Model Auditor Report, and subject to certain representations received by the Model Auditor from us upon which it has relied, the Model Auditor concluded that the Computer Model:

- (a) is logically constructed, internally consistent and is arithmetically accurate, in all material respects, in terms of its formulae, algorithms and calculations;
- (b) reflects, in all material respects the provisions of relevant extracts of our project’s financing and project documentation, as provided to the Model Auditor;
- (c) reflects, in all material respects, assumptions which are consistent with the Model Auditor’s understanding of the relevant provisions of current IFRS as applicable to us; and
- (d) is sufficiently robust to run the agreed sensitivities, and produce outputs consistent with the changes made to assumptions.

The Model Auditor’s work was limited to the matters set out in the paragraph above and accordingly did not include any form of review of the commercial merits, technical feasibility or the factual accuracy of the Computer Model’s input data except as noted above. Furthermore, the Model Auditor did not consider the validity of the underlying technical assumptions, which are outside its expertise, and its review of the relevant extracts of our project’s commercial and financing documentation was solely in its capacity as the Model Auditor. The Model Auditor independently audited the Computer Model based upon available information and assumptions provided by us and our advisers.

In addition, we engaged the Technical Adviser to review the assumptions that are associated with our project’s operating, maintenance and capital costs in the Computer Model, including the technical assumptions for the Base Case presented in the Computer Model, for consistency with the commercial terms of our project’s financing and project agreements. Using its in-house database of operating and maintenance costs such as scheduled and general maintenance, consumables, spare parts and labor for similar types and capacity of power and desalination units, the Technical Adviser concluded that the values reflected in the Computer Model of annual average operating and maintenance costs (excluding insurance costs) are fair reflections of current pricing within the industry. In addition, the Technical Adviser has also confirmed that we have conservatively budgeted for sufficient life extension works to ensure that our plant can operate efficiently until the expiry of the Power and Water Purchase Agreement in 2035. The Technical Adviser has not investigated the impact of changes in non-technical parameters, including interest and inflation rates, tax or financing assumptions. Please refer to the full text of the Independent Technical Due Diligence Report for a complete discussion of

the assumptions and qualifications to which the conclusions in the Independent Technical Due Diligence Report are subject.

In addition, sensitivities against the Base Case assumptions outlined in the Computer Model have been performed. These sensitivities are set out in further detail in “—*Sensitivity Cases*”.

The following does not purport to be complete and is subject to, and qualified in its entirety by reference to, the discussion of the results of the Base Case presented in the Computer Model and the relevant assumptions contained in the Independent Technical Due Diligence Report. The underlying drivers of the assumptions contained in the Computer Model are the Power and Water Purchase Agreement, the Operation and Maintenance Agreement and the financing agreements.

### Key Revenue Assumptions

We generate revenues from monthly payments from ADWEC under the Power and Water Purchase Agreement. These revenues comprise primarily:

- (a) capacity charges, which are designed to cover debt service, equity return and fixed operating and maintenance costs and payable for as long as our plant is available for dispatch, regardless of the dispatch level instructed by Transco; and
- (b) output charges, which are dependent on the level of dispatch and heat rate designed to cover variable operating costs, including maintenance costs.

Capacity and output charges are adjusted for dirham and U.S. dollar exchange rate fluctuations and for U.A.E. and/or U.S. inflation (except for the capital cost recovery component for both power and water of the capacity charges, which are not adjusted for inflation). Such percentages of dirham and U.S. dollar payments and adjustments to charge rates are included in Appendix G to the Power and Water Purchase Agreement. For a more detailed discussion of our payment structure, see “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment Structure*”.

All revenues subject to inflation indexation have been estimated in the Computer Model assuming an annual constant rate of inflation of 3.0% per annum.

No supplemental charges due under the Power and Water Purchase Agreement have been considered in the Computer Model.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<i>(in US\$ millions)</i>									
Electricity Revenue.....	61.6	62.2	61.0	62.3	63.5	64.8	64.4	66.6	65.9	67.7
Water Revenue .....	139.5	135.0	135.9	137.1	137.6	138.5	139.4	140.8	141.4	142.4
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	
	<i>(in US\$ millions)</i>									
Electricity Revenue.....	68.7	69.0	69.6	70.5	71.4	72.5	73.3	74.3	75.3	
Water Revenue .....	143.4	144.9	145.6	146.8	148.0	149.6	150.5	151.7	153.1	

### Key Operating and Maintenance Cost Assumptions

Costs incurred by us are principally related to operating and maintenance costs incurred pursuant to the Operation and Maintenance Agreement with the Operator, the DBO Agreement with the DBO Contractor and general day-to-day administrative and business management expenses. We have budgeted additional allowances for the cost of extending the Contractual Services Agreement until 2035 (including a 30% allowance over and above the current costs under the Contractual Services Agreement) and for additional staffing costs upon the expiration of the DBO Agreement, and these budget increases are reflected in increased capacity charges recoverable from ADWEC under the Power and Water Purchase Agreement, irrespective of whether or not these additional costs materialize. All operating costs have been estimated in the Computer Model assuming an annual constant rate of inflation of 3.0% per annum (except for certain components that are otherwise capped at different levels under the Operation and Maintenance Agreement) and do not include the management fee payable. Further details of these costs are set out in the description of the Operation and Maintenance Agreement (see “*Summary of Principal Project Documents—Operation and Maintenance Agreement*”).

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<i>(in US\$ millions)</i>									
Fixed O&M .....	(33.5)	(38.7)	(38.9)	(34.8)	(35.5)	(48.9)	(42.0)	(40.9)	(43.8)	(59.4)
Variable O&M.....	(8.1)	(8.3)	(8.6)	(8.8)	(9.1)	(9.4)	(9.6)	(9.9)	(10.2)	(10.5)

	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
	<i>(in US\$ millions)</i>								
Fixed O&M .....	(63.5)	(41.5)	(54.6)	(56.2)	(57.9)	(59.7)	(61.5)	(63.3)	(65.2)
Variable O&M.....	(10.8)	(11.2)	(11.5)	(11.9)	(12.2)	(12.6)	(13.0)	(13.3)	(13.7)

### Key Financial Assumptions

In the Base Case, we have assumed that we incur a total of US\$400.0 million of new debt, in the form of the Bonds, in addition to the Term Facility and that we incur no additional debt thereafter. See “*Use of Proceeds*”.

Following financial close the majority of our interest rate exposure will be fixed pursuant to various interest rate hedging arrangements. For the residual portion of debt that is modelled as not being hedged, the Computer Model assumes a floating LIBOR rate of 5.59% until the Term Final Maturity Date.

Set forth below are the key financial assumptions made in the Base Case.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<i>(in US\$ millions)</i>									
Existing debt <sup>(1)</sup> .....	713.2	669.4	626.4	577.4	521.5	465.4	408.5	341.6	270.4	199.7
New debt <sup>(1)</sup> .....	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0
Total debt.....	1,113.2	1,069.4	1,026.4	977.4	921.5	865.4	808.5	741.6	670.4	599.7

	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
	<i>(in US\$ millions)</i>								
Existing debt <sup>(1)</sup> .....	131.3	49.1	-	-	-	-	-	-	-
New debt <sup>(1)</sup> .....	400.0	400.0	373.2	317.9	259.9	198.9	135.4	68.8	-
Total debt.....	531.3	449.1	373.2	317.9	259.9	198.9	135.4	68.8	-

(1) Balances are those carried forward as at the end of each calendar year.

### Tax Rate Assumptions

The Computer Model assumes no corporate taxes applicable to us. As at the date of this Offering Memorandum, there are no such taxes in the United Arab Emirates. See “*Certain Tax Considerations—United Arab Emirates Taxation*”.

### Summary of Significant Base Case Assumptions from the Computer Model

In connection with the refinancing of our plant, we prepared assumptions for revenue and operating, maintenance and capital costs and engaged the Technical Adviser to prepare the Independent Technical Due Diligence Report. For certain assumptions, the Computer Model uses information from us regarding the estimated revenue and operating, maintenance and capital costs. Please refer to the full text of the Independent Technical Due Diligence Report for a complete discussion of the assumptions and qualifications to which the conclusions in the Independent Technical Due Diligence Report are subject.

### Base Case Financial Summary

The Base Case cash flows produced by the Computer Model are summarized below (in US\$ millions).

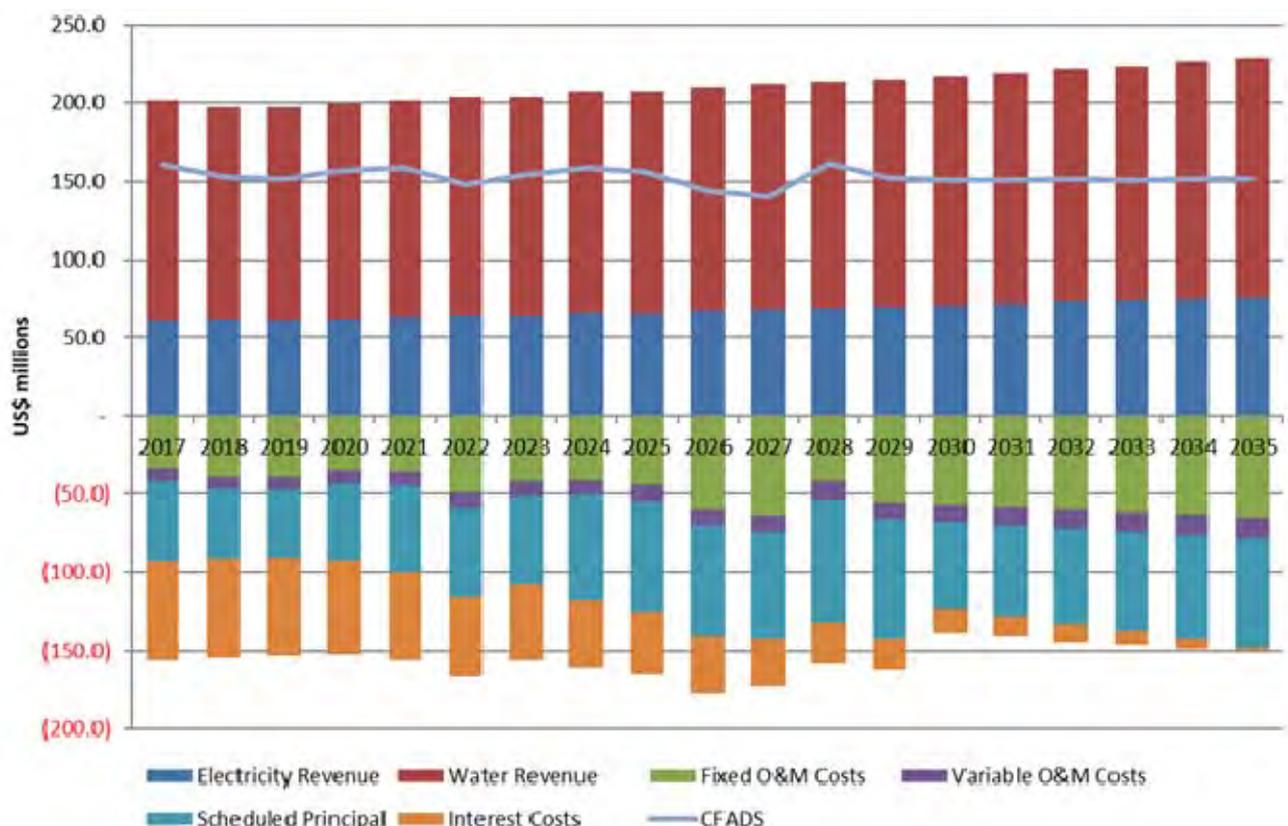
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Electricity Revenue.....	61.6	62.2	61.0	62.3	63.5	64.8	64.4	66.6	65.9	67.7
Water Revenue .....	139.5	135.0	135.9	137.1	137.6	138.5	139.4	140.8	141.4	142.4
<b>Total Operating Revenue .....</b>	<b>201.1</b>	<b>197.2</b>	<b>196.9</b>	<b>199.4</b>	<b>201.1</b>	<b>203.3</b>	<b>203.9</b>	<b>207.4</b>	<b>207.3</b>	<b>210.1</b>
Fixed O&M .....	(33.5)	(38.7)	(38.9)	(34.8)	(35.5)	(48.9)	(42.0)	(40.9)	(43.8)	(59.4)
Variable O&M.....	(8.1)	(8.3)	(8.6)	(8.8)	(9.1)	(9.4)	(9.6)	(9.9)	(10.2)	(10.5)

	2027	2028	2029	2030	2031	2032	2033	2034	2035	
<b>Total Operating and Maintenance Costs.....</b>	<b>(41.5)</b>	<b>(47.0)</b>	<b>(47.5)</b>	<b>(43.7)</b>	<b>(44.6)</b>	<b>(58.3)</b>	<b>(51.6)</b>	<b>(50.8)</b>	<b>(54.0)</b>	<b>(69.9)</b>
Net (Increase)/Decrease in Working Capital .....	0.4	0.7	0.0	(0.5)	(0.1)	0.6	(0.6)	(0.4)	0.4	0.8
Cash Flow Available for Debt Service <sup>(1)</sup> .....	161.0	153.4	151.9	157.8	159.0	148.1	154.2	158.7	156.2	143.4
Principal Repayments .....	51.5 <sup>(2)</sup>	44.0	43.0	48.2	55.7	57.0	56.3	66.4	71.2	71.8
Interest Costs .....	63.2	63.7	62.6	60.4	55.5	51.7	48.0	44.1	40.0	35.2
Total Debt Service .....	114.7	107.7	105.6	108.7	111.1	108.7	104.3	110.5	111.1	107.0
DSCR.....	1.46x	1.43x	1.43x	1.42x	1.43x	1.43x	1.42x	1.43x	1.42x	1.41x
<b>Electricity Revenue.....</b>	<b>68.7</b>	<b>69.0</b>	<b>69.6</b>	<b>70.5</b>	<b>71.4</b>	<b>72.5</b>	<b>73.3</b>	<b>74.3</b>	<b>75.3</b>	
Water Revenue .....	143.4	144.9	145.6	146.8	148.0	149.6	150.5	151.7	153.1	
<b>Total Operating Revenue .....</b>	<b>212.1</b>	<b>213.9</b>	<b>215.3</b>	<b>217.3</b>	<b>219.4</b>	<b>222.2</b>	<b>223.8</b>	<b>226.0</b>	<b>228.4</b>	
Fixed O&M .....	(63.5)	(41.5)	(54.6)	(56.2)	(57.9)	(59.7)	(61.5)	(63.3)	(65.2)	
Variable O&M.....	(10.8)	(11.2)	(11.5)	(11.9)	(12.2)	(12.6)	(13.0)	(13.3)	(13.7)	
<b>Total Operating and Maintenance Costs.....</b>	<b>(74.4)</b>	<b>(52.7)</b>	<b>(66.1)</b>	<b>(68.1)</b>	<b>(70.1)</b>	<b>(72.2)</b>	<b>(74.4)</b>	<b>(76.6)</b>	<b>(78.9)</b>	
Net (Increase)/Decrease in Working Capital .....	(0.1)	(1.7)	0.9	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	
Cash Flow Available for Debt Service <sup>(1)</sup> .....	139.9	162.1	152.4	151.1	151.2	151.8	151.3	151.3	151.3	
Principal Repayments .....	68.4	80.0	76.8	55.3	57.9	60.8	63.5	66.4	68.7	
Interest Costs .....	30.4	25.6	19.5	16.0	13.5	10.9	8.1	5.3	2.3	
Total Debt Service .....	98.8	105.5	96.3	71.3	71.4	71.7	71.7	71.7	71.0	
DSCR.....	1.40x	1.40x	2.13x	2.12x	2.11x	2.11x	2.11x	2.11x	n/a	

(1) Adjusted for movements in working capital as well as interest and other investment income. See “Annex B—Glossary of Certain Defined Terms Used in the Summary of Principal Finance Documents” for details on how Net Revenue is calculated.

(2) Excludes the partial prepayment of the Term Facility from the use of proceeds.

The major components of revenues and costs are shown in the following chart, together with the resulting CFADS.

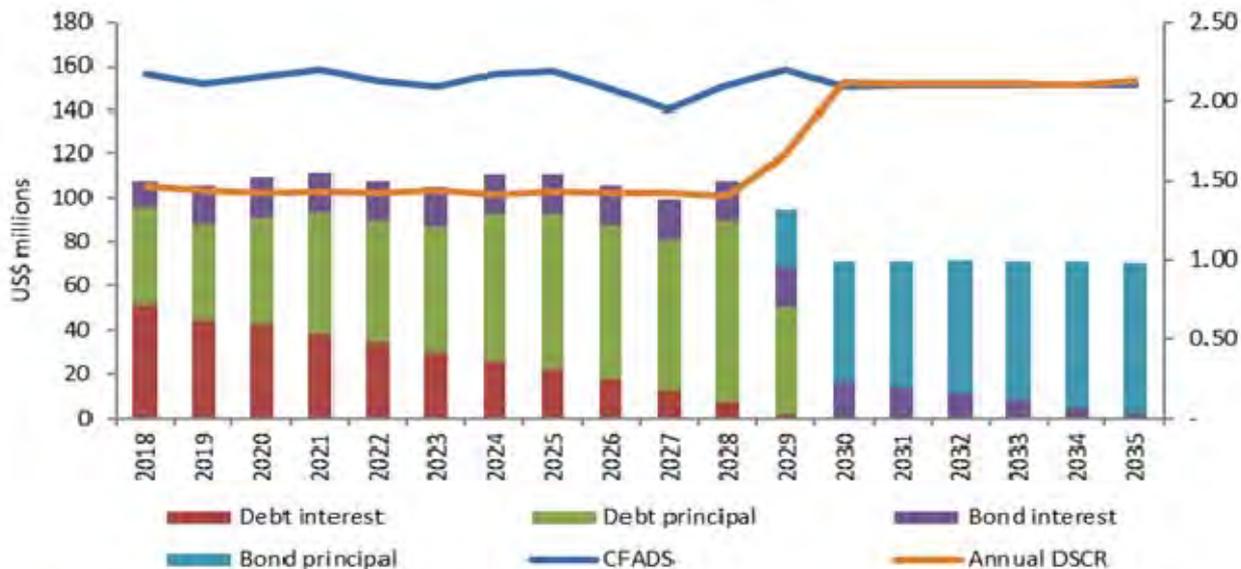


The DSCR tests our ability to service our project’s indebtedness with cash from operations. See “Annex B—Glossary of Certain Defined Terms Used in the Summary of Principal Finance Documents” for details on how the Projected DSCR is calculated.

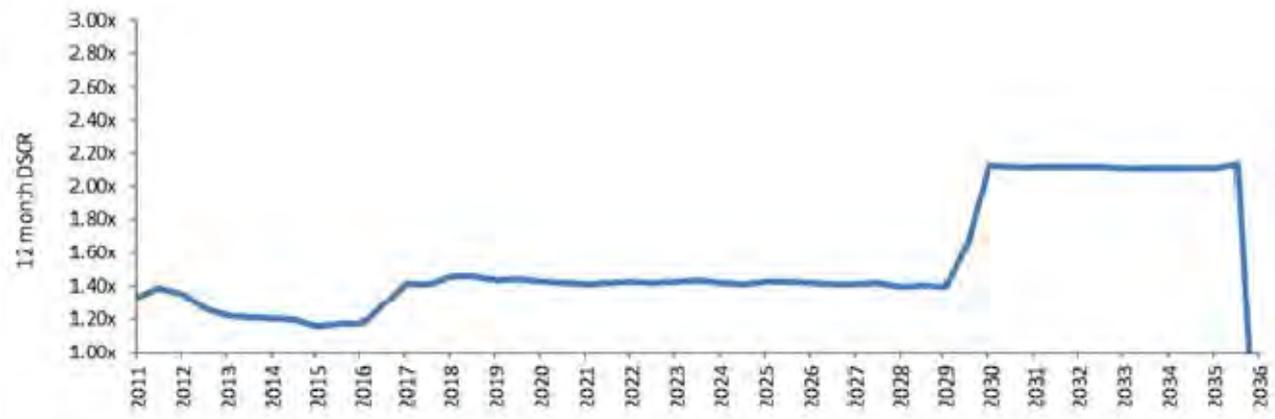
In the Base Case, the minimum twelve-month DSCR is 1.40x and the average twelve-month DSCR is 1.66x.

Changing the Base Case assumptions on which the Computer Model is run (including the amount of debt incurred by us) would change the DSCR shown above, in some cases, materially and adversely.

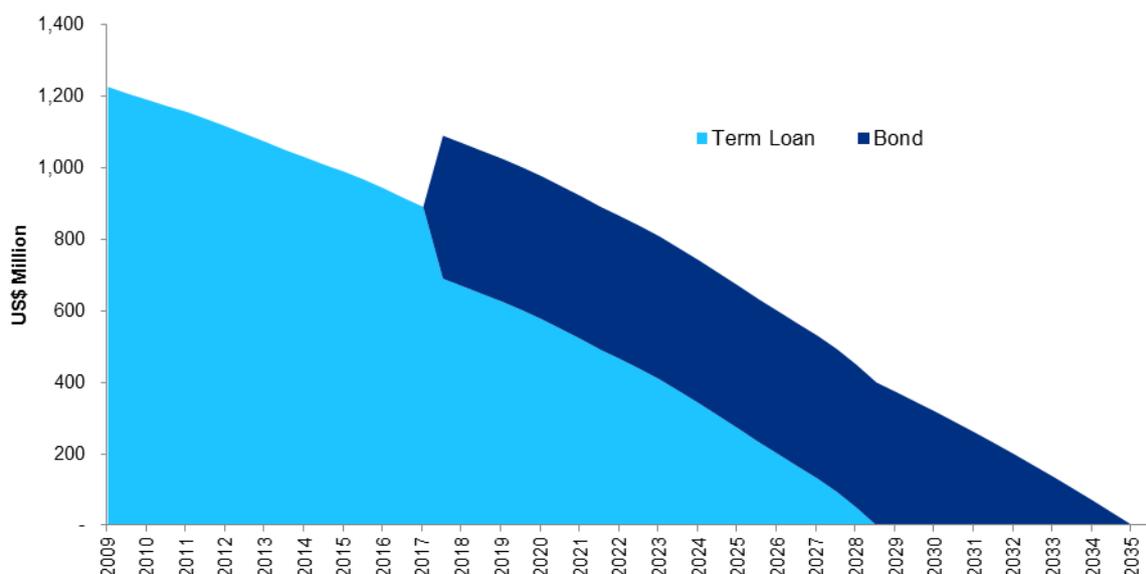
The following chart shows the Base Case for the years 2018 to 2035.



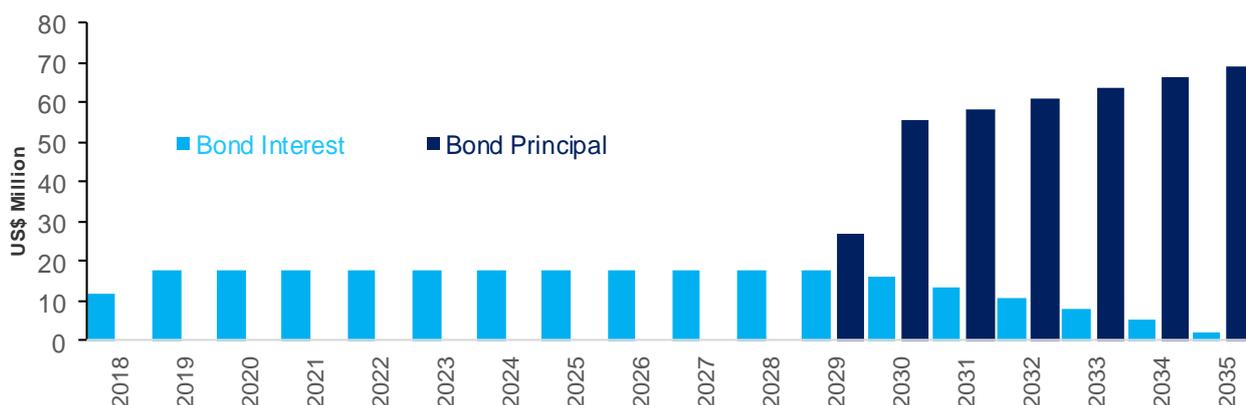
The following graph shows historic and projected DSCR for the years 2011 to 2035.



The following chart shows the Senior Debt evolution for the years 2009 to 2035.



The following chart shows the repayment of the principal amount of the Bonds and interest payments for the years 2018 to 2035.



## Sensitivity Cases

In addition, sensitivities against the Base Case assumptions outlined in the Computer Model have been performed. The sensitivities analyzed have been carried out to test our project's ability to meet its debt service obligations under certain downside scenarios. These modeled sensitivities are conservative given the dependable technology used and our project's contractual structure and include:

- (a) reduced availability in power and water (this sensitivity assumes a permanent decrease in power and water availability of 2% compared to the Base Case profiles, which would lead to a decrease in the capacity charges);
- (b) increased power heat rates (this sensitivity assumes a permanent 3% increase in actual power heat rates, which is equivalent to the same increase in fuel consumption);
- (c) increased operating costs (this sensitivity assumes a 10% increase in fixed and variable operating and maintenance costs across power and water); and
- (d) a combined downside (this sensitivity combines all of the above scenarios).

	<u>Minimum DSCR</u> <u>(12-month period)</u>	<u>Average DSCR</u>
Base Case.....	1.40x	1.66x
<b><i>Sensitivities</i></b>		
2% reduced availability .....	1.36x	1.61x
3% heat rate increase .....	1.37x	1.62x
10% increase in fixed and variable operating costs <sup>(1)</sup> .....	1.32x	1.59x
Combined downside scenario .....	1.25x	1.51x

(1) Excludes the impact of the receipt of liquidated damages from the Operator under the Operation and Maintenance Agreement.

The sensitivity analysis demonstrates that our project is extremely robust under a range of downside scenarios and that, even under the combined downside scenario, the minimum DSCR remains above 1.20x, which was the original forecast for the Base Case at the inception of the transaction.

The Technical Adviser has concluded that the sensitivities performed against the Base Case assumptions outlined in the Computer Model were suitable based on its knowledge of our plant and other similar plants in the region. See the Independent Technical Due Diligence Report attached as Annex C for further information.

## SELECTED FINANCIAL DATA

Our summary financial data presented below should be read in conjunction with the information set forth in “Operating and Financial Review” and our Audited Financial Statements and our Unaudited Financial Statements, including the notes thereto, appearing elsewhere in this Offering Memorandum. The following information has been derived from our Financial Statements (other than the Non-IFRS Measures).

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Nine-Month Period Ended September 30, 2016	Nine-Month Period Ended September 30, 2017
<i>(AED thousands)</i>					
<b>Income Statement Data</b>					
<b>Revenues</b>	<b>579,626</b>	<b>627,305</b>	<b>722,722</b>	<b>543,882</b>	<b>541,590</b>
Operating lease revenue.....	561,581	606,210	698,171	534,173	523,418
Energy payments and other related revenue.....	17,518	20,961	24,255	9,515	18,056
Supplemental fuel income .....	527	134	296	194	116
<b>Cost of sales</b>					
Depreciation of property, plant and equipment .....	(167,920)	(172,760)	(200,267)	(150,627)	(148,784)
Operating and maintenance charges	(104,288)	(126,574)	(125,402)	(95,816)	(88,211)
Fuel expenses.....	(736)	(494)	(543)	(273)	(154)
Insurance.....	(9,649)	(10,008)	(10,812)	(8,174)	(7,539)
<b>Gross profit</b> .....	<b>297,033</b>	<b>317,469</b>	<b>385,698</b>	<b>288,992</b>	<b>296,902</b>
Other income .....	32,092	221	1,790	-	2,808
Provision for slow moving and obsolete inventories .....	(1,368)	(1,225)	(1,185)	(1,044)	(891)
General and administrative expenses .....	(15,456)	(16,033)	(18,675)	(13,723)	(13,543)
<b>Operating Profit</b>	<b>312,301</b>	<b>300,432</b>	<b>367,628</b>	<b>274,225</b>	<b>285,276</b>
Finance costs.....	(240,758)	(244,318)	(251,628)	(189,291)	(180,674)
Finance income.....	181	184	409	209	977
<b>Net finance costs</b>	<b>(240,577)</b>	<b>(244,134)</b>	<b>(251,219)</b>	<b>(189,082)</b>	<b>(179,697)</b>
<b>(Loss)/profit for the year/period</b>	<b>71,724</b>	<b>56,298</b>	<b>116,409</b>	<b>85,143</b>	<b>105,579</b>

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Nine-Month Period Ended September 30, 2016	Nine-Month Period Ended September 30, 2017
<i>(AED thousands)</i>					
<b>(Loss)/profit for the year/period</b>	<b>71,724</b>	<b>56,298</b>	<b>116,409</b>	<b>85,143</b>	<b>105,579</b>
<b>Other comprehensive (loss)/income for the year/period</b>					
Reclassification adjustment for losses included in profit or loss.....	194,288	187,142	160,849	122,572	103,573
Changes in the fair value of derivative financial instruments.....	(142,408)	(82,554)	(16,127)	(82,228)	(21,627)
<b>Net comprehensive income to be reclassified to profit/(loss) in subsequent periods.....</b>	<b>51,880</b>	<b>104,588</b>	<b>144,722</b>	<b>40,344</b>	<b>81,946</b>
<b>Total comprehensive (loss)/income for the year/period .....</b>	<b>123,604</b>	<b>160,886</b>	<b>261,131</b>	<b>125,487</b>	<b>187,525</b>

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Nine-Month Period Ended September 30, 2016	Nine-Month Period Ended September 30, 2017
<i>(AED thousands)</i>					
<b>Non-IFRS Measures<sup>(1)</sup></b>					
EBIT .....	312,301	300,432	367,628	274,225	285,276
EBITDA.....	480,221	473,192	567,895	424,852	434,060

(1) We define EBIT as net profit before interest (net) and taxes and EBITDA as net profit before interest (net), taxes, depreciation and amortization. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe our Non-IFRS Measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe that our Non-IFRS Measures and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. Our Non-IFRS Measures are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Our Non-IFRS Measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Because of these limitations, our Non-IFRS Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our Financial Statements and using these Non-IFRS Measures only supplementally to evaluate our performance. See “*Presentation of Financial and Other Information—Non-IFRS Financial Measures*”.

Set forth below is a reconciliation of each of EBIT and EBITDA to earnings after taxes which we believe is their closest comparable IFRS measure.

	<b>Year Ended December 31, 2014</b>	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2016</b>	<b>Nine-Month Period Ended September 30, 2016</b>	<b>Nine-Month Period Ended September 30, 2017</b>
			<i>(AED thousands)</i>		
<b>(Loss)/profit for the year/period.....</b>	<b>71,724</b>	<b>56,298</b>	<b>116,409</b>	<b>85,143</b>	<b>105,579</b>
Finance costs .....	(240,758)	(244,318)	(251,628)	(189,291)	(180,674)
Finance income.....	181	184	409	209	977
<b>EBIT.....</b>	<b>312,301</b>	<b>300,432</b>	<b>367,628</b>	<b>274,225</b>	<b>285,276</b>
Depreciation of property, plant and equipment .....	(167,920)	(172,760)	(200,267)	(150,627)	(148,784)
<b>EBITDA.....</b>	<b>480,221</b>	<b>473,192</b>	<b>567,895</b>	<b>424,852</b>	<b>434,060</b>

## OPERATING AND FINANCIAL REVIEW

*The following discussion should be read in conjunction with our Audited Financial Statements, our Unaudited Financial Statements and related notes included elsewhere in this Offering Memorandum which include more detailed information regarding the basis of presentation for the following information. The projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from the projections and forward-looking statements in this section. Numerous factors could cause or contribute to such differences, including the risks discussed in “Risk Factors”. You will find the definitions of capitalized terms used and not defined in this description in Annex A, Annex B and as provided elsewhere in this Offering Memorandum.*

### Overview

We are the issuer of the Bonds and are engaged in the business of the ownership, operation and maintenance of our project. Our plant site is located at Qidfa, in the Emirate of Fujairah, on the Gulf of Oman coast in the United Arab Emirates. We were granted the Water Desalination and Delivery Licence by the Regulation & Supervision Bureau on September 26, 2006.

Our project consists of a combined cycle power generation and seawater desalination plant in the Emirate of Fujairah with 760 MW of contracted net power capacity and 130 MIGD of net water capacity (comprising 67.5 MIGD of RO desalination capacity and 62.5 MIGD of multi-stage flash desalination capacity). The original project entered into commercial operation in June 2004 with a contracted capacity of 535 MW and 100 MIGD (the “**Original Fujairah Plant**”) and an extension with a contracted capacity of 225 MW was successfully completed in March 2009 (the “**Fujairah Plant Extension**”), increasing the total net electrical contracted capacity to 760 MW (the Fujairah Plant Extension and the Original Fujairah Plant together being the “**Existing Fujairah Plant**”). The New RO Plant, which added an additional 30 MIGD of RO desalination capacity, was successfully completed in late 2015, with the commercial operation date of the New RO Plant being achieved on December 1, 2015.

ADWEA has also granted us a lease of the land comprising the leased premises on our plant site under the Land Lease.

For the nine-month period ended September 30, 2017, operating revenues were generated from January 1, 2017 up to September 30, 2017. The revenue that we receive from electricity and water includes operating lease revenue, energy payments and other related revenue and supplemental fuel revenue. For the nine-month period ended September 30, 2017, we recognized revenue of AED 541,590,000 from ADWEC, the sole purchaser of our output under the Power and Water Purchase Agreement.

### Formation and Ownership

We are incorporated as a private joint stock company (*sharikah mussahimah khassah*) duly organized and existing under the laws of the U.A.E. and the Emirate of Fujairah pursuant to Decree No. (8) of the Ruler of the Emirate of Fujairah dated April 8, 2006 and are registered with the Fujairah Municipality under No. 80089 dated September 12, 2017.

Our Shareholders are:

- (a) the Local Shareholder, whose shareholders are TAQA and ADWEA; and
- (b) the International Shareholder, whose sole shareholder is the International Sponsor.

### Principal Factors Influencing Our Operating Results

Described below are certain factors that may be helpful in understanding our overall operating results. These factors are based on the information currently available to our management and may not represent all of the factors that are relevant to an understanding of our current or future results of operations. See “*Risk Factors*”.

#### **Power and Water Purchase Agreement**

Under the terms of the Power and Water Purchase Agreement, we receive revenues from ADWEC in the form of:

- (a) capacity charges for the provision of power and water capacity (regardless of the dispatch level instructed by Transco);

- (b) output fee payments (subject to indexation) to cover the variable costs of production (payable per kW hour for electrical energy and per thousand imperial gallons of water actually delivered to ADWEC by us); and
- (c) supplemental charges from ADWEC that cover certain project-specific costs, including start-up costs for start-ups at the request of Transco's load despatch center, "black-start" costs (*i.e.*, costs incurred in connection with the start-up of one gas turbine if our plant is disconnected from the Transmission System), costs relating to use of backup fuel and certain insurance adjustment payments.

The Power and Water Purchase Agreement also provides for an adjustment to take into account the U.S. dollar/dirham foreign exchange risk and inflation risk.

Under the Power and Water Purchase Agreement, our annual contracted capacity is 760 MW and 130 MIGD.

### ***Capacity Charges***

Capacity charges are paid to us by ADWEC in respect of our plant's contracted capacity for power and water irrespective of how much power and water is actually dispatched and includes a capital cost recovery component to cover capital/funding costs, including, amongst others, senior debt service, equity returns and a fixed operating and maintenance component to cover, amongst other things, fixed operating and maintenance costs, insurance costs, staff costs and spare parts costs. The component of the capacity charge used to cover our senior debt service is based on the cost of funds of the Bonds at a certain level which is provided in the Power and Water Purchase Agreement. Deductions are made from the capacity charges only to the extent that our plant units are either not available or reduced in their availability pursuant to the terms of the Power and Water Purchase Agreement.

To the extent the final cost of the funds of the Bonds is higher than currently projected, the capital cost recovery charge rate for water as set out in Appendix G to the Power and Water Purchase Agreement will be adjusted upwards prior to the Effective Date in order to preserve the Base Case economics (*i.e.*, the debt service coverage ratio and the shareholder rate of return) as set out herein.

### ***Output Fee Payments***

ADWEC pays us output fee payments in respect of actual power and water delivered by us to the delivery point. The output fee payment includes a variable operating and maintenance component to cover the marginal operating costs of dispatching the power and water and a fuel adjustment payment in the event that actual fuel consumption differs from projected fuel consumption under the terms of the Power and Water Purchase Agreement.

### ***Seasonality of Operations***

Due to higher electricity demand in the summer period in the United Arab Emirates, higher revenues and operating profits are usually expected for us in the second and third quarters of the year compared to the first and fourth quarters. In line with the demand profile (lower electricity demand in the winter period) our planned maintenance of our plant is conducted in the winter period, further accentuating the seasonality of our revenues. Our planned maintenance is the primary reason for the loss of availability for both power and water plants during the winter period. See "*Industry and Regulation—Demand for and Supply of Power and Water*".

### ***Supplemental Charges***

ADWEC pays us supplemental charges in respect of certain adjustments/variations including, amongst others, start-up costs for start-ups at the request of Transco's load despatch center, "black-start" costs (*i.e.*, costs incurred in connection with the start-up of one gas turbine if our plant is disconnected from the Transmission System), costs relating to the use of backup fuel and certain insurance adjustment payments.

### ***Mechanical Failure and Serious Outages***

Under the terms of our insurance policy, in the event of a "business interruption" or mechanical failure leading to a serious outage in connection with a gas turbine, we are not entitled to receive any payment under our insurance policy until day 46 of any such serious outage for machinery breakdown relating to the GE 9E gas turbines and day 61 of any such serious outage for machinery breakdown relating to the GE 9FA gas turbines. We are therefore exposed to the risk that, in the event of a serious mechanical failure, we are unable to supply the contracted electricity and water to ADWEC pursuant to the Power and Water Purchase Agreement and we will not receive the full contracted revenues from ADWEC during this time.

## ***Operation and Maintenance Agreement***

The Operator of the Existing Fujairah Plant is a wholly owned subsidiary of the International Sponsor and provides operating and maintenance services pursuant to the Operation and Maintenance Agreement. The Operator is managed locally and benefits from the expertise and procedures of our Sponsors, who are well-established companies in the region and whose interests are aligned with ours in ensuring that the Existing Fujairah Plant is operated and maintained as efficiently as possible.

The Operation and Maintenance Agreement provides for comprehensive operating and maintenance services in respect of our plant (including the provision of long-term maintenance services for the covered units pursuant to the Contractual Services Agreement between the Operator and the CSA Contractor). The payment terms of the Operation and Maintenance Agreement are split into two phases, the Fixed Price Operating Period and the Cost Pass Through Operating Period.

The fixed price operating period commences on the Closing Date and terminates on January 31, 2021 (unless terminated earlier by us) (the “**Fixed Price Operating Period**”). Subject to the terms of the Operation and Maintenance Agreement, during each contract year, we can elect to terminate the Fixed Price Operating Period early on three months’ written notice, in the event that our actual operating and maintenance expenditure equals to 96.5% or less of the projected operating and maintenance expenditure on a cumulative basis since March 16, 2009, in which case the Cost Pass Through Operating Period will commence on the day following such termination.

During the Fixed Price Operating period, the Operator is required to operate our plant and meet all costs and will receive an agreed fixed rate payment, a variable payment and a start-up payment (less any start-up deductions), which are based on payments received by us under the Power and Water Purchase Agreement. Pursuant to the terms of the Power and Water Purchase Agreement, we are compensated for indexation in respect of both dirham and U.S. dollar costs. Following the end of the Fixed Price Operating Period, the Cost Pass Through Operating Period runs for the remaining term of the O&M Agreement (*i.e.*, until December 1, 2035). During this period we take on budgetary risk, and accordingly, we review the operating and maintenance cost estimates annually and allocate a budget for these costs.

## ***DBO Agreement***

The DBO Contractor is an unincorporated joint venture between Acciona Agua S.A. and Acciona Infraestructuras S.A., each duly organized and existing under the laws of Spain, who are well-established companies and whose interests are aligned with ours in ensuring that the New RO Plant is efficiently operated and maintained.

Pursuant to the DBO Agreement, the term of which is seven years from the New RO Plant Commercial Operation Date, the DBO Contractor provides all operation and maintenance services in respect of the New RO Plant until the New RO Plant Handover Date and receives an agreed fixed fee payment, a variable fee payment and certain miscellaneous supplemental payments. Pursuant to the terms of the Power and Water Purchase Agreement, we are compensated for indexation in respect of both dirham and U.S. dollar costs.

## ***Cost of Servicing Financing Arrangements***

Other factors that may affect our operating results include the cost of servicing certain financing arrangements. However, the majority of our interest rate exposure under our financing arrangements is appropriately hedged, which assists us in managing the cost of servicing our financing arrangements. Subsequent to the refinancing substantially all of our interest rate exposure will be appropriately hedged.

## **Key Statement of Comprehensive Income Items**

### ***Revenue***

We derive sales revenue from the sale of capacity and electricity and water output to ADWEC pursuant to the Power and Water Purchase Agreement. The Power and Water Purchase Agreement sets forth the payment calculation procedures, which determine the amounts to be invoiced by us to ADWEC on a monthly basis. Revenue includes amounts derived from ADWEC in respect of the sale of water and electricity, which include:

- (a) operating lease revenue;
- (b) energy payments and other related revenue; and
- (c) supplemental fuel income.

The following table sets forth our revenue from the sale of water and electricity for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 and the nine-month periods ended September 30, 2017 and September 30, 2016.

	<u>Year Ended December 31, 2014</u>	<u>Year Ended December 31, 2015</u>	<u>Year Ended December 31, 2016</u>	<u>Nine-Month Period Ended September 30, 2016</u>	<u>Nine-Month Period Ended September 30, 2017</u>
	<i>(AED thousands)</i>				
Operating lease revenue.....	561,581	606,210	698,171	534,173	523,418
Energy payments and other related revenue.....	17,518	20,961	24,255	9,515	18,056
Supplemental fuel income .....	527	134	294	194	116
<b>Total revenue</b>	<b><u>579,626</u></b>	<b><u>627,305</u></b>	<b><u>722,722</u></b>	<b><u>543,882</u></b>	<b><u>541,590</u></b>

### *Cost of Sales*

Cost of sales comprise purchases of fuel (in the case of backup fuel only, as gas is made available by ADWEC free of charge), operating and maintenance charges, depreciation and insurance costs.

	<u>Year Ended December 31, 2014</u>	<u>Year Ended December 31, 2015</u>	<u>Year Ended December 31, 2016</u>	<u>Nine-Month Period Ended September 30, 2016</u>	<u>Nine-Month Period Ended September 30, 2017</u>
	<i>(AED thousands)</i>				
Depreciation of property, plant and equipment.....	(167,920)	(172,760)	(200,267)	(150,627)	(148,784)
Operating and maintenance charges.....	(104,288)	(126,574)	(125,402)	(95,816)	(88,211)
Fuel expenses.....	(736)	(494)	(543)	(273)	(154)
Insurance.....	(9,649)	(10,008)	(10,812)	(8,174)	(7,539)
<b>Total cost of sales .....</b>	<b><u>(282,593)</u></b>	<b><u>(309,836)</u></b>	<b><u>(337,024)</u></b>	<b><u>(254,890)</u></b>	<b><u>(244,688)</u></b>

### *Fuel Expenses*

Fuel expenses relates to the cost of backup fuel in respect of testing and commissioning during our project construction period and our fuel change-over (gas to diesel fuel oil) periodical testing during our project operating period.

### *Operating and Maintenance Costs*

Operating expenses consist principally of the costs paid to the Operator and the DBO Contractor for operating and maintaining the facilities used to produce the electricity and water as per the terms of the Operation and Maintenance Agreement and the DBO Agreement. Operating expenses also include the cost of spare parts and consumables and services involved in maintaining our plant and equipment.

### *Administration and Other Expenses*

Administration expenses and other expenses consist principally of the cost of providing staff and other general administrative expenses. Staff costs have historically been the largest component of administration and other expenses related to legal, finance, human resources and information systems.

### *Insurance*

Our insurance expense consists principally of the cost of providing insurance to our plant and includes coverage for property damage and business interruption.

### *Depreciation of Property, Plant and Equipment*

Depreciation is calculated to write off the cost of items of property, plant and equipment incurred in the production of power and desalination of water, plant facilities and other equipment less their estimated residual values. Depreciation is calculated using the straight-line method over the estimated useful lives of each component and is recognized in profit or loss.

Our management determines the estimated useful lives of our property, plant and equipment for the purposes of calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear of our property, plant and equipment. We review and adjust, if appropriate, depreciation methods, useful lives and residual values on an annual basis.

### ***Finance Income***

Finance income includes interest received on multiple-term deposits.

### ***Finance Costs***

Our finance costs comprise (among others) interest expense on loans and borrowings and on interest rate swaps and accretion expense.

### ***Taxation***

Under current laws applicable to us, we are not subject to any income or similar taxes.

## **Results of Operations**

### **Comparison of nine-month periods ended September 30, 2017 and September 30, 2016**

#### ***Revenue***

Revenue was AED 541.6 million for the nine-month period ended September 30, 2017 compared to AED 543.9 million for the nine-month period ended September 30, 2016, a decrease of AED 2.3 million, or 0.4%. This decrease was primarily due to lower production and dispatch of water and electricity to the Procurer as instructed by Transco's load despatch center, which resulted in us receiving lower variable operating and maintenance revenue. Revenue for the nine-month period ended September 30, 2017 was mainly comprised of operating lease revenue of AED 523.4 million and energy payments and other related revenue of AED 18.1 million, and revenue for the nine-month period ended September 30, 2016 was mainly comprised of operating lease revenue of AED 534.2 million and energy payments and other related revenue of AED 9.5 million.

#### ***Cost of Sales***

##### ***Fuel Expenses***

Fuel expenses were AED 0.2 million for the nine-month period ended September 30, 2017 compared to AED 0.3 million for the nine-month period ended September 30, 2016, a decrease of AED 0.1 million, or 43.6%. This decrease was primarily due to a lower usage of back-up fuel for machine start-up, which varies as per the requirements of the PWPA and lower fuel prices.

##### ***Operating and Maintenance Charges***

Operating and maintenance charges were AED 88.2 million for the nine-month period ended September 30, 2017 compared to AED 95.8 million for the nine-month period ended September 30, 2016, a decrease of AED 7.6 million, or 7.9%. This decrease was primarily due to operating and maintenance charges, payable in accordance with the O&M Agreement, being lower for this phase of the maintenance cycle.

##### ***General and Administrative Expenses***

General and administrative expenses were AED 13.5 million for the nine-month period ended September 30, 2017 compared to AED 13.7 million for the nine-month period ended September 30, 2016, a decrease of AED 0.2 million, or 1.3%. This decrease was primarily due to lower staff costs.

##### ***Depreciation of Property, Plant and Equipment***

Depreciation of property, plant and equipment was AED 148.8 million for the nine-month period ended September 30, 2017 compared to AED 150.6 million for the nine-month period ended September 30, 2016, a decrease of AED 1.8 million or 1.2%. The decrease was immaterial in the normal course of business.

### *Finance Income*

Finance income (*i.e.*, interest income) was AED 1.0 million for the nine-month period ended September 30, 2017 compared to AED 0.2 million for the nine-month period ended September 30, 2016, an increase of AED 0.8 million, or 367.5%. This increase was primarily due to higher fixed deposit interest rates.

### *Finance Costs*

Finance costs (*i.e.*, interest expense) were AED 180.7 million for the nine-month period ended September 30, 2017 compared to AED 189.3 million for the nine-month period ended September 30, 2016, a decrease of AED 8.6 million, or 4.6%. This decrease was primarily due to half-yearly repayment of principal amounts on our senior debt and shareholders' loan.

### *Gross Profit*

Gross profit was AED 296.9 million for the nine-month period ended September 30, 2017 compared to AED 289.0 million for the nine-month period ended September 30, 2016, an increase of AED 7.9 million, or 2.7%.

### *Profit from Operating Activities*

Profit from operating activities was AED 285.3 million for the nine-month period ended September 30, 2017 compared to AED 274.2 million for the nine-month period ended September 30, 2016, an increase of AED 11.1 million, or 4.0%. This increase was primarily due to lower operating and maintenance costs and the payment received from the DBO Contractor as a result of delays in respect of the New RO Plant entering into commercial operation.

## **Comparison of years ended December 31, 2016, 2015 and 2014**

### *Revenue*

Revenue was AED 722.7 million in 2016 compared to AED 627.3 million in 2015, an increase of AED 95.4 million, or 15.2%. This increase was primarily due to the New RO Plant operating for an entire year in 2016. Revenue was AED 627.3 million in 2015 compared to AED 579.6 million in 2014, an increase of AED 47.7 million, or 8.2%. This increase was primarily due to the failure of a compressor on a 9FA turbine that occurred in May 2014, which had led to a period of reduced power availability, being rectified.

Revenue in 2016 was comprised of operating lease revenue of AED 698.2 million and energy payments and other related revenue of AED 24.3 million, revenue in 2015 was comprised of operating lease revenue of AED 606.2 million and energy payments and other related revenue of AED 21.0 million and revenue in 2014 was comprised of operating lease revenue of AED 561.6 million and energy payments and other related revenue of AED 17.5 million.

### *Cost of Sales*

#### *Fuel Expenses*

Fuel expenses were AED 0.54 million in 2016 compared to AED 0.49 million in 2015, an increase of AED 0.05 million, or 9.9%. Fuel expenses were AED 0.49 million in 2015 compared to AED 0.74 million in 2014, a decrease of AED 0.24 million, or 32.9%. The variations in fuel expenses year-on-year were primarily due to the usage of back-up fuel for machine start-up, which varies as per the requirements of the PWPA, and the fluctuation in fuel prices.

#### *Operating and Maintenance Charges*

Operating and maintenance charges were AED 125.4 million in 2016 compared to AED 126.6 million in 2015, a decrease of AED 1.2 million, or 0.9%. Operating and maintenance charges were AED 126.6 million in 2015 compared to AED 104.3 million in 2014, an increase of AED 22.3 million, or 21.4%. The variations in operating and maintenance charges year-on-year were primarily due to operating and maintenance charges, payable in accordance with the O&M Agreement, being lower, or higher, for the relevant phase of the maintenance cycle.

#### *General and Administrative Expenses*

General and administrative expenses were AED 18.7 million in 2016 compared to AED 16.0 million in 2015, an increase of AED 2.6 million, or 16.5%. This increase was primarily due to higher staff costs and us absorbing part of the Emirati salary package from the Operator pursuant to our Emiratization obligations. General and administrative expenses

were AED 16.0 million in 2015 compared to AED 15.5 million in 2014, an increase of AED 0.6 million, or 3.7%. This increase was primarily due to staff salary increases and higher office expenses.

#### *Depreciation of Property, Plant and Equipment*

Depreciation of property, plant and equipment was AED 200.3 million in 2016 compared to AED 172.8 million in 2015, an increase of AED 27.5 million, or 15.9%. This increase was primarily due to the New RO Plant operating for an entire year in 2016. Depreciation of property, plant and equipment was AED 172.8 million in 2015 compared to AED 167.9 million in 2014, an increase of AED 4.8 million, or 2.9%. This increase was primarily due to the New RO Plant operating for an entire month in 2015.

#### *Finance Income*

Finance income was AED 0.41 million in 2016 compared to AED 0.18 million in 2015, an increase of AED 0.23 million, or 122.3%. This increase was primarily due to higher fixed deposit rates. Finance income was AED 0.18 million in 2015, which is in line with 2014.

#### *Finance Costs*

Finance costs (*i.e.*, interest expense) were AED 251.6 million in 2016 compared to AED 244.3 million in 2015, an increase of AED 7.3 million, or 3.0%. This increase was primarily due to a slightly higher interest rate on the six month U.S. dollar LIBOR and payment of our shareholders' loan interest following the New RO Plant Commercial Operation Date. Finance costs were AED 244.3 million in 2015 compared to AED 240.8 million in 2014, an increase of AED 3.6 million, or 1.5%. This increase was primarily due to a slightly higher interest rate on the six month U.S. dollar LIBOR.

#### *Gross Profit*

Gross profit was AED 385.7 million in 2016 compared to AED 317.5 million in 2015, an increase of AED 68.2 million, or 21.5%. Gross profit was AED 317.5 million in 2015 compared to AED 297.0 million in 2014, an increase of AED 20.4 million, or 6.9%.

#### *Profit from Operating Activities*

Profit from operating activities was AED 116.4 million in 2016 compared to AED 56.3 million in 2015, an increase of AED 60.1 million, or 106.8%. This increase was primarily due to higher revenue from the New RO Plant and lower operating and maintenance costs. Profit from operating activities was AED 56.3 million in 2015 compared to AED 71.7 million in 2014, a decrease of AED 15.4 million, or 21.5%. This decrease was primarily due to higher operating and maintenance costs.

### **Liquidity and Capital Resources**

#### *Cash Flow*

The table below summarizes our cash flows for the years ended December 31, 2014, 2015 and 2016 and for the nine-month periods ended September 30, 2016 and 2017.

	<b>Year Ended December 31, 2014</b>	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2016</b>	<b>Nine-Month Period Ended September 30, 2016</b>	<b>Nine-Month Period Ended September 30, 2017</b>
	<i>(AED thousands)</i>				
Net cash from operating activities .....	536,796	460,556	564,309	526,290	375,553
Net cash used in investing activities.....	(392,869)	(187,899)	(4,959)	(3,345)	(3,429)
Net cash used in financing activities.....	(193,333)	(321,360)	(596,916)	(702,703)	(429,429)
<b>Cash and cash equivalents .....</b>	<b><u>337,529</u></b>	<b><u>288,826</u></b>	<b><u>251,260</u></b>	<b><u>109,068</u></b>	<b><u>193,955</u></b>

#### *Nine-month period ended September 30, 2017*

Our net cash generated from operating activities was AED 375.6 million. Our net cash used in investing activities was AED 3.4 million, consisting primarily of expenditure on fixed assets. Our net cash used in financing activities was AED 429.4 million consisting primarily of dividend payments and repayment of our term loans and shareholders' loan.

#### *Nine-month period ended September 30, 2016*

Our net cash generated from operating activities was AED 526.3 million. Our net cash used in investing activities was AED 3.3 million, consisting primarily of expenditure on fixed assets. Our net cash used in financing activities was AED 702.7 million, consisting primarily of dividend payments and repayment of our term loans and shareholders' loan.

#### *Year Ended December 31, 2016*

Our net cash generated from operating activities was AED 564.3 million. Our net cash used in investing activities was AED 5.0 million, consisting of purchase of property, plant and equipment. Our net cash used in financing activities was AED 596.9 million, consisting primarily of interest payment (AED 268.1 million) and repayment of term loan (AED 169.3 million).

#### *Year Ended December 31, 2015*

Our net cash generated from operating activities was AED 460.6 million. Our net cash used in investing activities was AED 187.9 million, consisting of purchase of property, plant and equipment. Our net cash used in financing activities was AED 321.4 million, consisting primarily of interest payment (AED 238.6 million) and repayment of term loan (AED 148.8 million). In 2015, proceeds of loans from our Shareholders amounted to AED 176.3 million.

#### *Year Ended December 31, 2014*

Our net cash generated from operating activities was AED 536.8 million. Our net cash used in investing activities was AED 392.9 million, consisting primarily of purchase of property, plant and equipment. Our net cash generated from financing activities was AED 191.3 million, consisting primarily of interest payment (AED 231.2 million) and repayment of term loan (AED 157.4 million). In 2014, proceeds of loans from our Shareholders amounted to AED 235.7 million.

### ***Liquidity***

Historically, our primary sources of liquidity have been equity funding, shareholder loans and debt facilities (including the Term Facility and the Working Capital Facility). Our debt facilities were initially provided by an international syndicate of term banks in 2006 in an amount of US\$1,490,000,000, which included a US\$20,000,000 working capital facility.

Our liquidity requirements arise primarily to meet our ongoing debt service obligations.

As at September 30, 2017, our long-term debt consisted of AED 3,276.3 million (US\$892.1 million) principal amount outstanding on our debt facilities (excluding our shareholders' loans). Please see "*Capitalization*" for a discussion of our long-term debt after completion of the offering of the Bonds. Following this refinancing, our debt service obligations will consist primarily of principal and interest payments due on February 1 and August 1 of each year. The principal on the Bonds is repayable in thirteen semi-annual installments that will commence on August 1, 2029. The principal on the Term Facility is repayable in 22 semi-annual installments from February 1, 2018 until August 1, 2028 and with the final repayment date being on January 31, 2029. Following this refinancing, our principal sources of funds are expected to be cash provided by operations and the Working Capital Facility. For more information about our debt service obligations see "*Summary of the Computer Model*" and "*Summary of Principal Finance Documents*".

### **Contractual Obligations and Commercial Commitments**

#### ***Contractual Obligations***

The following table sets forth our financial commitments as at September 30, 2017 (excluding the effects of transaction costs).

	Less than 1 year	Principal Payments Due by Period		Total
		1 to 5 years	More than 5 years	
		(AED thousands)		
Term Facility.....	199,357	927,777	2,149,179	<b>3,276,313</b>

As at September 30, 2017, we also had AED 640.4 million of existing subordinated shareholder loans. These subordinated shareholder loans do not have regular scheduled payments of principal or interest. For a presentation of our modeled financial commitments after giving effect to the bond offering and related transactions, see the text and charts at “*Summary of the Computer Model—Summary of Significant Base Case Assumptions from the Computer Model—Base Case Financial Summary*”.

In order to reduce our exposure to interest rates fluctuations on the loans, prior to the Effective Date, we have been party to interest rate swap arrangements with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans, covering not less than 100% of the outstanding principal amount of the Term Facility Agreement up to August 2020. In order to comply with our hedging requirements and as a result of the prepayment of the Term Facility following the refinancing, a portion of the notional amount of outstanding notional commitment under our interest rate swap arrangement would be terminated for some specific periods of the outstanding interest-bearing loans and paid from the proceeds of the offering of the Bonds as described in “*Use of Proceeds*”. As at December 31, 2016, we had outstanding notional commitments under financial instruments to hedge our interest rate exposure of AED 3,466 million (US\$943.1 million) as compared to outstanding notional commitments outstanding as at December 31, 2015 of AED 3,638.0 million (US\$990.0 million).

The floating interest rate for the Term Facility is six month U.S. dollar LIBOR. As at December 31, 2016, the derivative instruments which are entered into for the purpose of hedging such interest rate fluctuations had a negative fair value of AED 381.3 million (compared with AED 526.0 million as at December 31, 2015).

### ***Inventories***

As at December 31, 2016, costs associated with inventories comprised of fuel were AED 113.1 million and spare parts and consumables costs were AED 63.6 million for a total inventory cost of AED 163.7 million (taking into account a provision for slow moving and obsolete inventories of AED 13 million).

### ***Operating Lease Receivable***

Future capacity charges to be received by us under the Original Power and Water Purchase Agreement and the WPA based on projected availability were as follows:

	At December 31, 2015	At December 31, 2016	At September 30, 2017
	(AED thousands)		
Within one year.....	737,595	723,822	740,131
After one year but not more than five years.....	2,974,249	2,950,443	2,992,084
More than five years .....	7,263,438	7,097,664	6,604,499
<b>Total.....</b>	<b>10,975,282</b>	<b>10,771,929</b>	<b>10,336,714</b>

### ***Employees’ End of Service Benefits***

We provide end of service benefits to our employees. The entitlement to these benefits is based upon the employees’ final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the employment period. As at December 31, 2016, the balance of employees’ end of service benefits was AED 723,000 compared to AED 624,000 as at December 31, 2015.

### ***Capital Expenditures***

As at December 31, 2016, outstanding capital expenditure accounting for work in progress relating to improvements to our plant amounted to AED 2,321,000.

### ***Market Risk***

We use interest rate swaps and forward foreign exchanges swaps as hedges of our exposure to interest rate risk and foreign currency risk of our interest-bearing loans and foreign currency commitments. Following the commercial operation date of the Fujairah Plant Extension on March 16, 2009, we were required to have entered into transactions

under interest rate swaps for no less than 80% and no more than 100% of the floating interest rate risk applicable to our outstanding debt facilities.

### ***Interest Rate Risk***

Our exposure to the risk of changes in market interest rates relates primarily to our short-term deposits, term loans and loans from shareholders. In order to manage our exposure, we have entered into interest rate swap arrangements, designed to hedge underlying debt obligations, whereby we agree to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed-upon notional principal amount. As at December 31, 2016, the notional amount outstanding was approximately US\$943,183,000.

Our hedging arrangements must be with hedging banks which have a long-term unsecured and unsubordinated credit rating of at least A- (S&P) or A3 (Moody's) and which have acceded to the Term Facility Agreement. Our hedging arrangements must at all times:

- (a) be compliant with the Term Facility Agreement hedging policy;
- (b) provide for "two way payments" on termination;
- (c) be assigned to or otherwise secured in favor of the senior secured creditors; and
- (d) only be by means of interest rate swaps or foreign exchange hedging arrangements.

As at December 31, 2016, the fixed rates of interest ranged from 3.62% to 5.85% per annum and the floating interest rate for the purposes of the interest rate swaps was LIBOR. As at December 31, 2016, the derivative instruments that are entered into for the purpose of cash flow hedge had a negative fair value of approximately AED 381,295,000.

After the Effective Date, at all times from the expiry of the Hedge Grace Period until the Term Final Maturity Date, we are required to be a party to one or more US\$ LIBOR/fixed rate interest rate swaps for an amount not less than, for any period, approximately 80% of the maximum aggregate principal amount that is outstanding during that period under the Senior Debt (other than the total principal amount of the Bonds and any other Senior Debt subject to fixed rate interest), in each case projected and estimated in the then current Project Forecast to be outstanding at any time during that period, assuming full compliance by us with our repayment obligations pursuant to the Hedging Policy.

From the expiry of the Hedge Grace Period until the Term Final Maturity Date, we intend to voluntarily hedge approximately 100% of our Senior Debt subject to floating rate interest.

### ***Currency Risk***

Our management considers that we are not exposed to significant currency risk. The majority of our transactions and balances are either in dirhams or U.S. dollars. Given that the dirham is pegged to the U.S. dollar, balances in U.S. dollars are not considered to represent significant currency risk.

### ***Significant Accounting Policies***

The accounting policies described below are those that we consider critical in preparing our 2016 Audited Financial Statements. A more detailed description of the significant accounting policies used in preparing the 2016 Audited Financial Statements is included in Note 3 to the 2016 Audited Financial Statements included in this Offering Memorandum.

### ***Revenue Recognition***

Our revenue comes from the sale of water and electricity, energy payments and other related revenue and supplemental fuel income.

Operating lease revenue (included in the revenue from the sale of water and electricity) are recognized to the extent that capacity has been made available to ADWEC during the year.

Energy payments and other related revenue are recognized when contractual quantities of electricity and water are delivered to ADWEC.

Supplemental fuel income represents the amount reimbursed by ADWEC with respect to the cost of back-up fuel incurred by us during the year, at the market price on the date of replenishment.

### ***Property, Plant and Equipment***

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Such cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes any costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss. The cost of replacing a part of an item of property, plant and equipment is only recognized in the carrying amount of such item if it is probable that the future economic benefits embodied within that part will flow to us and its cost can be measured reliably. All other repair and maintenance costs are recognized in profit and loss as they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of each component and is recognized in profit or loss.

### ***Borrowing Costs***

Borrowing costs directly attributable to the design, development, procurement and construction of each part of a plant, up to the date when all activities necessary to prepare each part of our plant for its intended use are complete, are capitalized as part of capital work in progress. Borrowing costs in respect of completed parts of our plant are recognized as an expense in the period in which they are incurred.

### ***Asset Retirement Obligation***

We have a legal obligation in respect of site restoration and abandonment of our power generation and water desalination assets at the end of their useful lives. Asset retirement obligation (which is based on a 40-year period) is recorded at the present value of expected costs to settle the obligation at the end of the useful lives of these assets and the discount rate reflects the risks specific to these assets. The accretion is expensed as incurred and recognized in the profit or loss as finance costs. We review the estimated future costs of the asset retirement obligation annually and adjust them as appropriate.

### ***Inventories***

Inventories are measured at the lower of cost and net realizable value. Cost of inventories is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and costs incurred in bring them to their existing location or condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and necessary to make the sale. Allowances are made for slow moving and obsolete inventories on the basis of assessment of obsolescence and future use.

### ***Impairment of Non-Financial Assets***

At each reporting date, we review the carrying amounts of our non-financial assets (other than inventories) to determine whether there is an indication of impairment.

If such an indication exists, we estimate the asset's recoverable amount, which is the greater of the asset's value in use and its fair value less costs to sell. If the carrying amount of an asset or its cash generating unit exceeds its recoverable amount then an impairment loss is recognized (in profit or loss).

### ***Cash and Cash Equivalents***

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks in current and call deposit accounts with maturities of three months or less that are subject to an insignificant risk of change in their fair value and are used by us in the management of our short-term commitments.

### ***Non-Derivative Financial Assets***

Non-derivative financial assets comprise of prepayments and other receivables, amounts due from related parties and cash and cash equivalents. We initially recognize amounts due from related parties on the date that they are originated. All other financial assets are initially recognized on the trade date, which is the date on which we become a party to the contractual provisions of the asset.

### ***Derivative Financial Instruments and Hedge Accounting***

We enter into interest rate swaps to manage our exposure to interest rate risk. Derivatives are initially recognized at fair value (with any transaction costs being recognized in profit or loss as incurred). Subsequent to initial recognition, derivatives are measured at fair value and changes thereto are recognized in profit or loss and other comprehensive income. Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognized pricing models, as appropriate.

For the purpose of hedge accounting, we designate certain derivatives into two types of hedge categories:

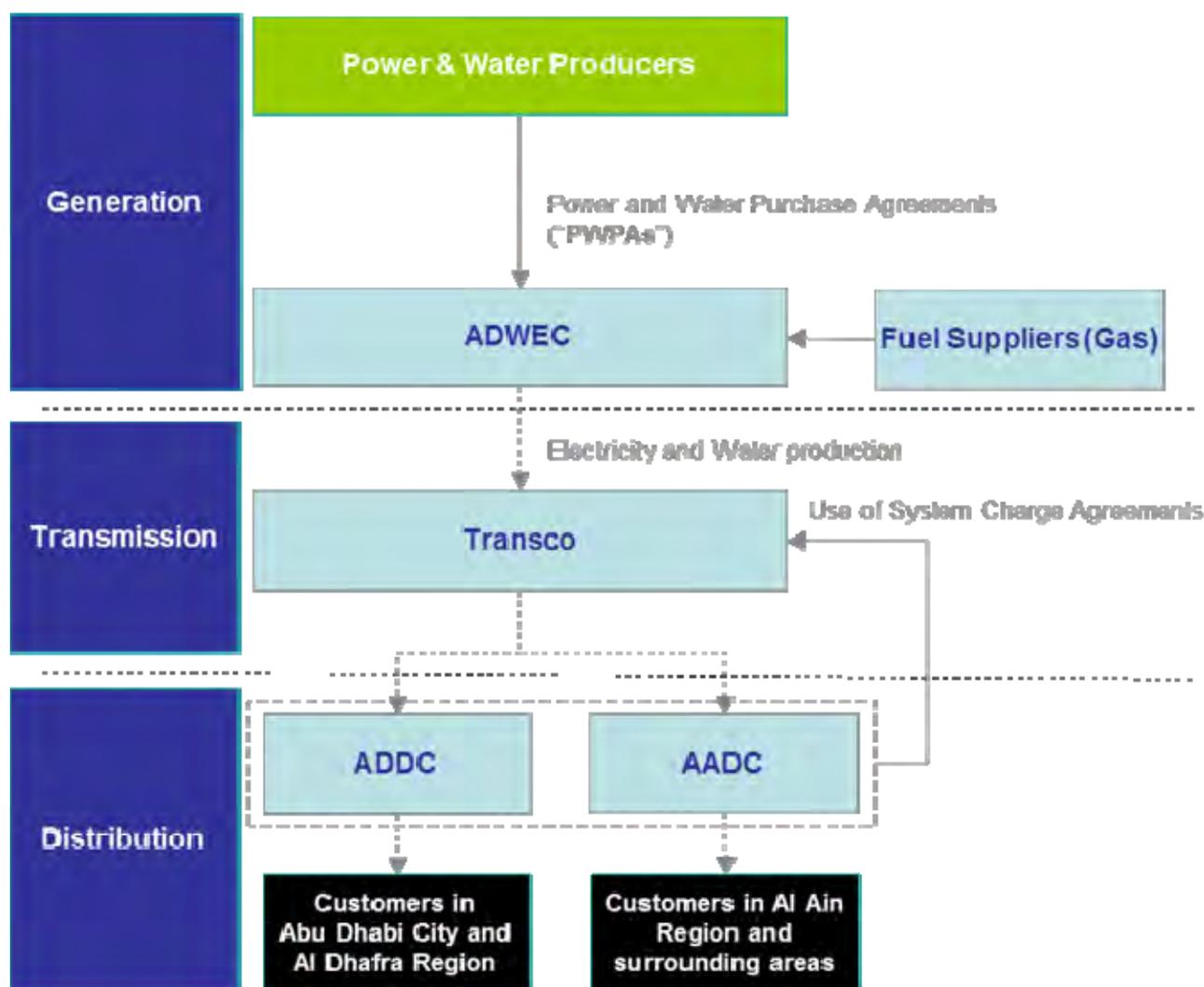
- (a) fair value hedges, which hedge the exposure to changes in the fair value of a recognized asset or liability; and
- (b) cash flow hedges, which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that will affect future reported net income.

## INDUSTRY AND REGULATION

Certain of the projections and other information set forth in this section “Industry and Regulation” have been derived from external sources, including information published by our Sponsors. The basis and underlying assumptions of these projections and other information may differ materially from those used in connection with our Computer Model and our other projections set forth in this Offering Memorandum. We believe that these industry publications, surveys and forecasts used in connection with the preparation of this Offering Memorandum are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. The projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from the projections and forward-looking statements. Numerous factors could cause or contribute to such differences, including the risks referred to in “Risk Factors”.

### Industry Participants

The following chart sets out how the power generation and water production, transmission and distribution sectors are organized in the Emirate of Abu Dhabi under the ADWEA Privatization Program.



Source: ADWEC

### Power Generation and Water Production

#### ADWEC

ADWEC is a wholly owned subsidiary of ADWEA and is the sole buyer and seller of water and electricity output from producers under various power and water purchase agreements in the Emirate of Abu Dhabi. ADWEC charges the distribution companies for water and electricity delivered via the Transco networks under a bulk supply tariff.

In addition, ADWEC purchases gas fuels from the fuel suppliers for the producers and handles financial settlements with all stakeholders. The key role of ADWEC is to ensure sufficient production capacity for all reasonable demand for water and electricity in the Emirate of Abu Dhabi and the Emirate of Fujairah at all times.

### ***Transmission***

#### *Transco*

Transco is a wholly owned subsidiary of ADWEA. Transco's core business is the planning, construction and operation of a safe, reliable and efficient water and electricity transmission network within the Emirate of Abu Dhabi and, where required, the wider United Arab Emirates.

Transco receives income comprised of:

- (a) charges applied for the use of the system; and
- (b) connection charges directly from distribution companies in the United Arab Emirates. These charges are agreed and approved by the Regulation and Supervision Bureau on an annual basis and reflect the total power and water delivered over the course of the year, the peak power and water supplied at the time of greatest demand and the value of assets built for each customer.

Transco also has an important role in supporting the development of the ADNOC group companies, Abu Dhabi Company for Onshore Petroleum Operations Ltd. and Abu Dhabi Gas Industries Ltd. ("GASCO"), and other significant new industries in the Emirate of Abu Dhabi, including aluminum and steel, by significantly expanding its supplies to meet forecasted demand from these consumers. In recent years, the scope of Transco's business has expanded to include the planning, development and operation of water and electricity transmission assets in the Northern Emirates.

### ***Distribution***

#### *ADDC*

Abu Dhabi Distribution Company ("ADDC") is a public joint stock company, located in the Emirate of Abu Dhabi. As at December 31, 2016, ADDC served approximately 353,000 electricity customers and 282,000 water customers in the Emirate of Abu Dhabi, the majority of which were residential. ADDC is responsible for distribution of electricity at 0.4 kV, 11 kV, 22 kV and 33 kV.

#### *AADC*

Al Ain Distribution Company ("AADC") is a public joint stock company, located in the city of Al Ain. As at December 31, 2016, AADC served approximately 146,000 electricity customers and 87,000 water customers in the Emirate of Abu Dhabi, the majority of which were residential. AADC is responsible for distribution of electricity at 0.4 kV, 11 kV and 33 kV.

### **Demand for and Supply of Power and Water**

#### ***Demand for Power in the Emirate of Abu Dhabi***

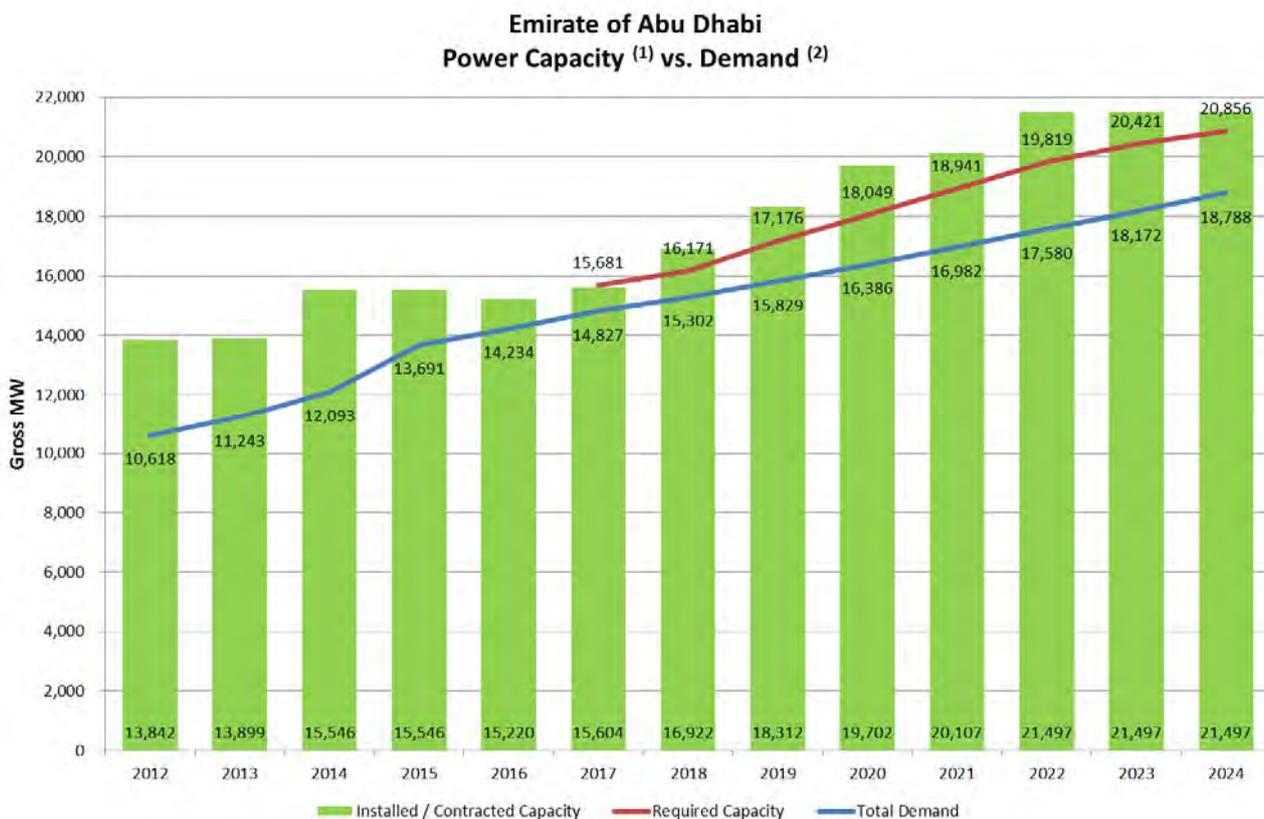
The key factors driving power demand in the Emirate of Abu Dhabi are:

- (a) construction and economic activity;
- (b) industrial development; and
- (c) population growth.

The demand for power is heavily influenced by seasonal climate variations in the United Arab Emirates and the consequential demand for air conditioning, with demand for power at a peak from June to September when temperatures regularly reach 45°C and above. This peak level of demand for power in the Emirate of Abu Dhabi can be 50% higher than average consumption. However, during the cooler winter months demand for power can fall to around 33% of annual peak demand levels.

Between 1999 and 2016, the Emirate of Abu Dhabi’s annual peak power demand increased by 7.4% per annum. In addition to the indigenous demand for power within the Emirate of Abu Dhabi, electricity is also exported to other Emirates in the north of the United Arab Emirates. According to ADWEC, annual peak demand in the Emirate of Abu Dhabi for power and exports to the Emirates of Sharjah, Ras Al Khaimah, Fujairah, Umm al Quwain and Ajman (the “Northern Emirates”) was 14,234 MW in 2016. For the purposes of this Offering Memorandum, “Total Demand” shall mean the annual peak demand for power or water (as applicable) in the Emirate of Abu Dhabi and exports to the Northern Emirates (collectively).

The following chart shows the historical and the projected Total Demand forecast for power, the installed and contracted peak power capacity and the future required power capacity to ensure security of supply in the Emirate of Abu Dhabi (including, the Northern Emirates) from 2012 to 2024. The illustrated required capacity to ensure security of supply is for planning purposes of future capacity requirements only and their historic values are not of relevance.



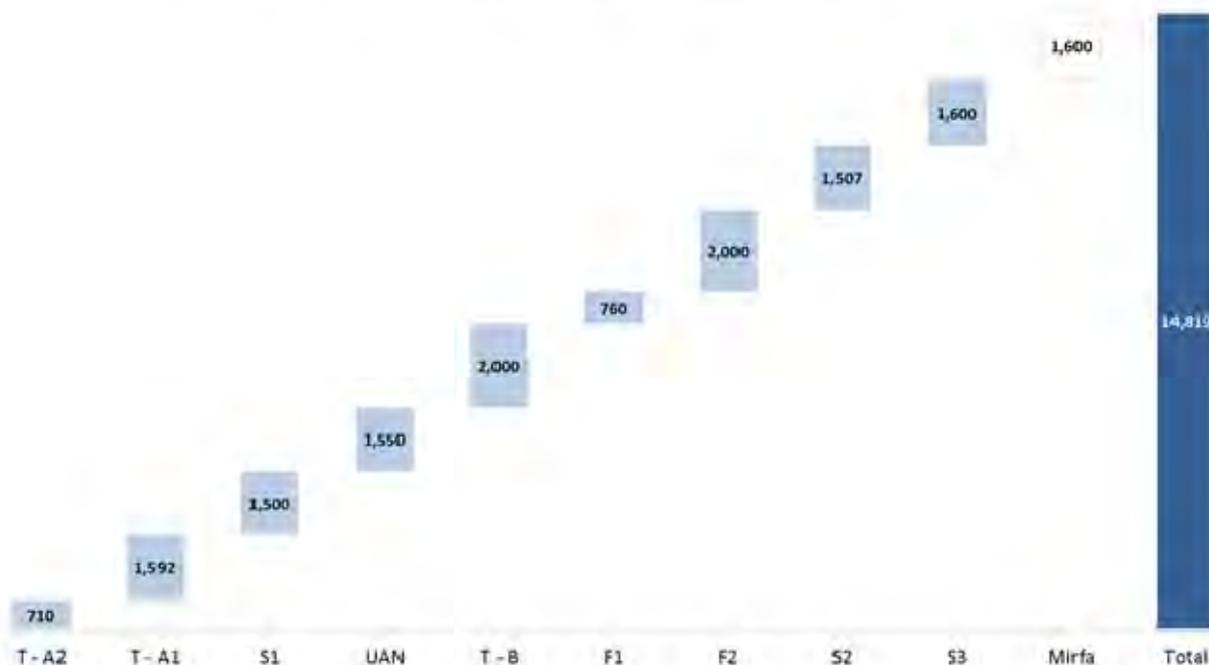
Source: ADWEC

- (1) This chart shows the installed and contracted peak power capacity and future required power capacity (which includes a reserve margin to ensure security of supply) in the Emirate of Abu Dhabi (including, exports to the Northern Emirates).
- (2) This chart shows the historical and projected Total Demand forecast for power in the Emirate of Abu Dhabi (including, exports to the Northern Emirates).

As at September 30, 2017, the net installed power capacity of the power (or power and water) projects under the ADWEA Privatization Program (excluding the solar photovoltaic project located at Sweihan that has recently commenced construction) was approximately 14,819 MW. As at September 30, 2017, our project represented approximately 5.1% of the net installed power capacity of the power (or power and water) projects under the ADWEA Privatization Program.

The following chart shows the net installed power capacity for each of the power (or power and water) projects under the ADWEA Privatization Program (excluding the solar photovoltaic project located at Sweihan).

**Independent Water and/or Power Market under the ADWEA Privatization Program  
Contracted Power Capacity (MW net)**



**Key**

**T-A2:** Taweelah A2 Plant

**S1:** Shuweihat S1 Plant

**T-B:** Taweelah B Plant

**F2:** Fujairah F2 Plant

**S3:** Shuweihat S3 Plant (power plant only)

**T-A1:** Taweelah A1 Plant

**UAN:** Umm Al Nar Plant

**F1:** Fujairah F1 Plant

**S2:** Shuweihat S2 Plant

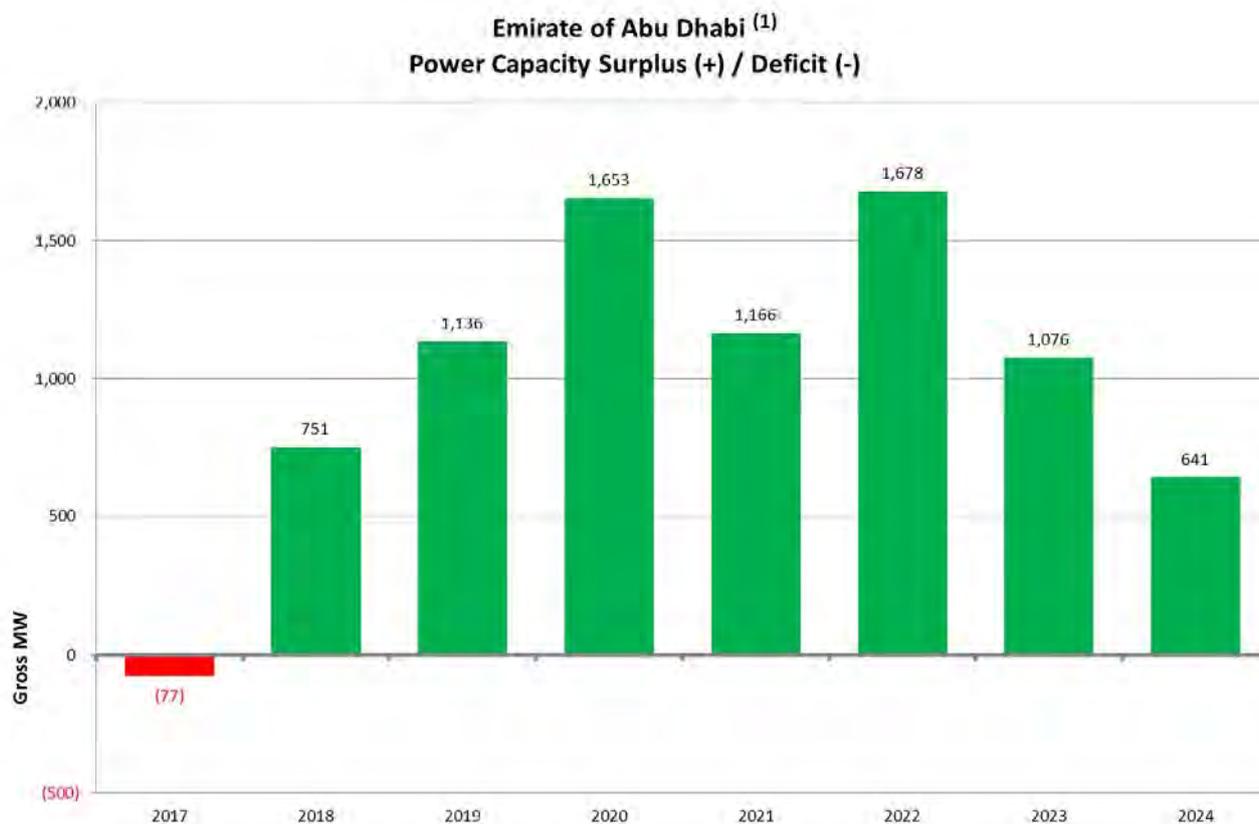
**Mirfa:** Mirfa IWPP Plant

Source: ADWEC

***Supply of Power in the Emirate of Abu Dhabi***

Power in the Emirate of Abu Dhabi is sourced primarily from the power (or power and water) projects under the ADWEA Privatization Program. In addition, there is a small number of older inefficient power and water units and a small number of captive power plants associated with industrial projects that have grid interconnection. In order to maintain an adequate power system, including a reserve margin ranging between approximately 6% and 13% (the increasing margin being due to the introduction of 1,390 MW units at the Barakah nuclear plant) to cover scheduled and unscheduled outages of generating units, based on the Total Demand for power of 15,302 MW in 2018, the installed capacity in the Emirate of Abu Dhabi is required to be at least 16,171 MW (including, exports to the Northern Emirates). Additional power capacity is projected to be added to the ADWEA grid system over the next few years. For example, the nuclear plant currently under construction at Barakah, once in commercial operation, is expected to add a further 5,560 MW of gross generating capacity to the power network, which would bring the total installed generating capacity in the Emirate of Abu Dhabi to approximately 21,497 MW by 2022, taking into account the planned retirements of certain other power plants by year end 2020.

The following chart depicts the projected future surplus and deficit of power in the Emirate of Abu Dhabi from 2017 to 2024.



Source: ADWEC

(1) This chart shows the power capacity surplus (+)/deficit (-) in the Emirate of Abu Dhabi (including exports to the Northern Emirates).

### ***Demand for Water in the Emirate of Abu Dhabi***

The key factors driving the expected increase in demand for additional capacity in the Emirate of Abu Dhabi include:

- (a) the expansion works to the water transmission system;
- (b) the continued effect of population increase;
- (c) the construction and completion of a number of “mega” projects in the tourism industry (including Yas Island and Saadiyat Island), the oil and gas, the transport and the metal processing industries;
- (d) consumer behavior (following the introduction of new tariffs); and
- (e) the need to de-couple power generation from water production due to the introduction of the Barakah nuclear base load power plant and the increasing share of renewable energy.

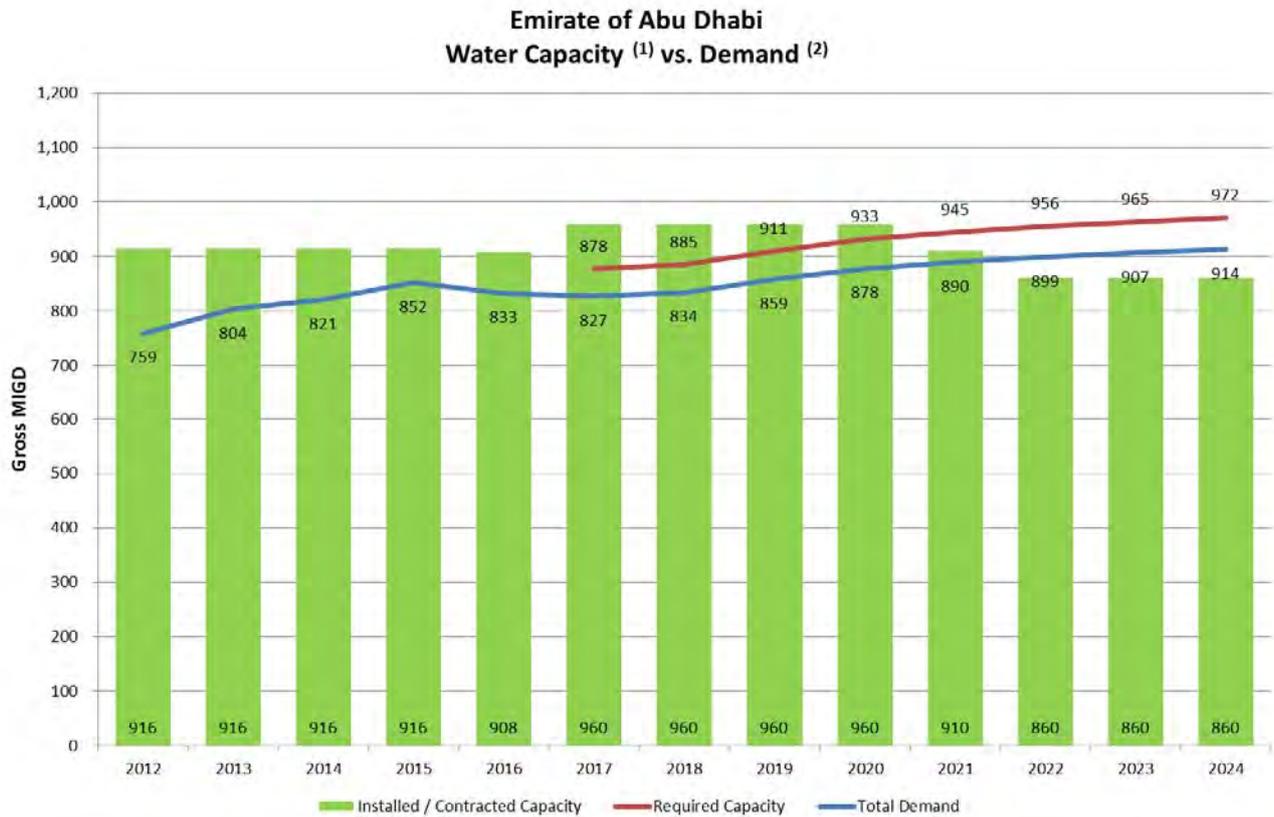
In contrast to the demand for power in the Emirate of Abu Dhabi, which has seasonal variations, the demand for water in the Emirate of Abu Dhabi remains relatively constant throughout the year with a marginally higher demand for water during the period from June through September.

Between 2001 and 2012, mainly due to significant investments in the water transmission network to enable an unconstrained access to water in all areas of the Emirate of Abu Dhabi, the Emirate of Abu Dhabi’s annual peak water demand increased by approximately 9.7% per annum. Between 2012 and 2015, the Emirate of Abu Dhabi’s annual peak water demand increased by approximately 4% per annum. In 2016, due to the introduction of new tariffs for consumers, the Emirate of Abu Dhabi experienced for the first time a decline in annual peak water demand compared to the previous

year. This decline is expected to continue in 2017 and, according to ADWEC Statement of Future Capacity Requirements 2018 – 2024, the Total Demand for water is expected to grow again at 1.4% per annum between 2018 and 2024.

In addition to the indigenous demand for water within the Emirate of Abu Dhabi, water is also exported to the Northern Emirates (although in smaller quantities than power exports).

The following chart shows the historical and the projected Total Demand forecast for water, the installed and contracted peak water capacity and the future required water capacity to ensure security of supply in the Emirate of Abu Dhabi (including, the Northern Emirates) from 2012 to 2024. The illustrated required capacity to ensure security of supply is for planning purposes of future capacity requirements only and their historic values are not of relevance.



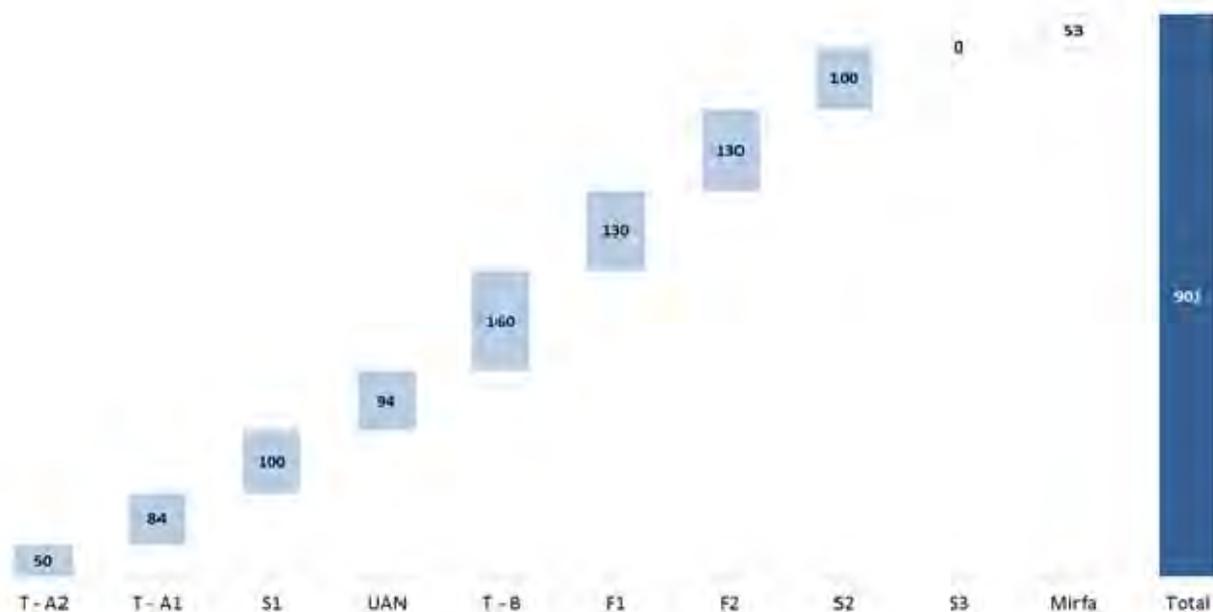
Source: ADWEC

- (1) This chart shows the installed and contracted peak water capacity and future required water capacity (which includes a reserve margin to ensure security of supply) in the Emirate of Abu Dhabi (including, exports to the Northern Emirates).
- (2) This chart shows the historical and projected Total Demand forecast for water in the Emirate of Abu Dhabi (including, exports to the Northern Emirates).

As at September 30, 2017, the net installed water capacity of the power and water projects under the ADWEA Privatization Program was approximately 901 MIGD. As at September 30, 2017, our project represented approximately 14.4% of the net installed water capacity of the power and water projects under the ADWEA Privatization Program.

The following chart shows the net installed water capacity for each of the power and water projects under the ADWEA Privatization Program.

**Independent Water and/or Power Market under the ADWEA Privatization Program  
Contracted Water Capacity (MIGD net)**



**Key**

- |  |                                |
|--|--------------------------------|
| <b>T-A2:</b> Taweelah A2 Plant                   | <b>T-A1:</b> Taweelah A1 Plant |
| <b>S1:</b> Shuweihat S1 Plant                    | <b>UAN:</b> Umm Al Nar Plant   |
| <b>T-B:</b> Taweelah B Plant                     | <b>F1:</b> Fujairah F1 Plant   |
| <b>F2:</b> Fujairah F2 Plant                     | <b>S2:</b> Shuweihat S2 Plant  |
| <b>S3:</b> Shuweihat S3 Plant (power plant only) | <b>Mirfa:</b> Mirfa IWPP Plant |

Source: ADWEC

**Supply of Water in the Emirate of Abu Dhabi**

Other than water available from natural wells, potable water in the Emirate of Abu Dhabi is sourced from desalination plants. Water supply in the United Arab Emirates can be broken down into two distinct categories:

- (a) potable water required for domestic drinking consumption; and
- (b) non-potable requirements (including, for example, water required for crop irrigation, landscaping and trees), which can be provided in part from waste water treatment plants.

All potable water in the Emirate of Abu Dhabi is produced by desalination plants such as our project.

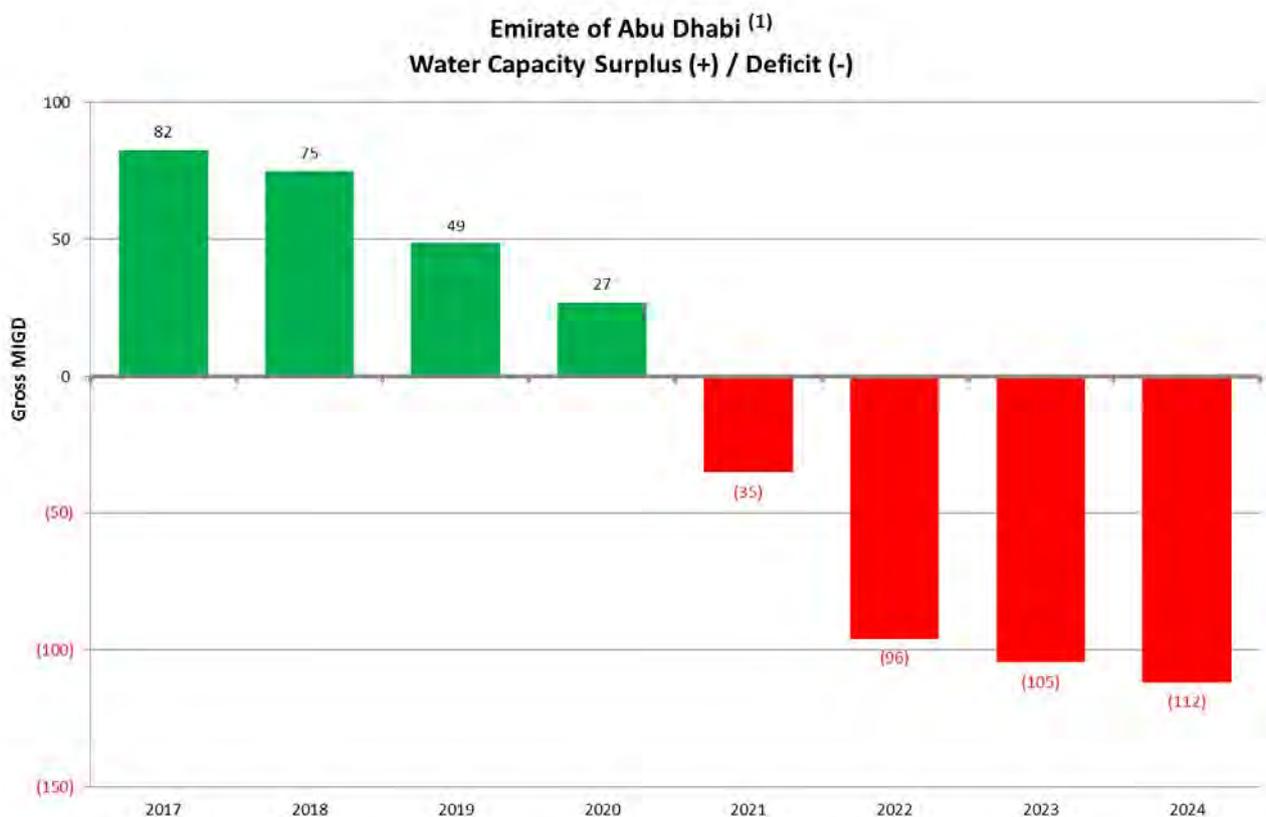
Although the peak supply of water has increased steadily by an average of approximately 10% per annum from the inception of the ADWEA Privatization Program until 2012, demand for water has exceeded the water supply capacity and especially the water transmission network capabilities. Reinforcements in these areas led to a more moderate increase of peak supply of water from 2012 onwards and the introduction of new tariffs for consumers in 2016 led to a decline, which is expected to continue in 2017.

Although the Total Demand for water is expected to grow by only 1.4% between 2018 and 2024, the supply is expected to contract due to the retirement of some of the older desalination units in the Emirate of Abu Dhabi and additional water production capacity will be required to meet the shortfall.

The Emirate of Abu Dhabi is developing nuclear based load power plants and solar photovoltaic plants to meet future electricity demand. Both of these forms of power generation are not coupled with water production and would not address the water supply shortfall. Moreover, since both technologies of power generation represent “must-run” plants, even during winter months at low power demand, the remaining conventional thermal cogeneration power and water plants will have to produce all the requisite water, which demand is not materially lower in winter, in less efficient (low load) operation modes (if indeed possible at all) and consequently with higher fuel consumption. This development necessitates the de-coupling of power generation and water production which can be managed and mitigated only with the introduction of further RO plants.

An RO plant, such as the New RO Plant, is an efficient way to meet the shortfall in supply, in particular during the winter months. An RO plant would decouple the water production from the power generation and would displace thermal desalination during the winter months and would be more economical because of the gas savings in the entire system. With the addition of the New RO Plant into our project, our project is even more critical to the existing and future supply of water to the Emirate of Abu Dhabi.

The following chart depicts the projected future surplus and deficit of water capacity in the Emirate of Abu Dhabi from 2017 to 2024. These figures are projections of the summer case (*i.e.*, peak supply of water). However, in the future, as mentioned above, the winter case will become increasingly critical with the need to add additional RO desalination capacity to meet security of supply as well as for economic reasons (*i.e.*, to lower gas costs).



Source: ADWEC

(1) This chart shows the water capacity surplus (+)/deficit (-) in the Emirate of Abu Dhabi (including, exports to the Northern Emirates).

### Emirates National Grid

The Emirates National Grid interconnects the electricity transmission grids of four authorities in the United Arab Emirates including ADWEA in the Emirate of Abu Dhabi, the Dubai Electricity and Water Authority (“DEWA”) in the Emirate of Dubai, the Sharjah Electricity and Water Authority (“SEWA”) in the Emirate of Sharjah and the Fujairah Electricity and Water Authority (“FEWA”) in the Emirate of Fujairah. The establishment of the Emirates National Grid was a significant development in the United Arab Emirates electricity market. In light of the rapid increase in the number of new developments and projects, and the surge in the population of the United Arab Emirates, the Emirates National Grid was established with the objective of ensuring a constant and stable electricity supply throughout the United Arab Emirates by allowing each of the authorities to share electricity reserves with one another. The Emirates National Grid establishes a framework to enable one authority to purchase electricity from another.

The Emirates National Grid is supervised by a senior committee established by the Government of the United Arab Emirates. Each of ADWEA, DEWA, FEWA and SEWA is represented on the high committee. Each of the authorities may enter into individual purchase contracts with another authority for electricity as and when required, with the cost of electricity determined by mutual agreement between the authorities. No additional charges are levied for the transmission of electricity between the electricity grids. The authorities are not required to allocate particular amounts of electricity as reserves and will only be required to make electricity available to other authorities through the Emirates National Grid if they have a surplus. In addition, each authority is responsible for the maintenance of its respective section of the network.

Construction of the Emirates National Grid commenced in 2003 and the first interconnection was established in May 2006 between ADWEA's Taweelah Power Station in the Emirate of Abu Dhabi and DEWA's Al Aweer Power Station via 400 kV overhead transmission lines. The second interconnection was established between DEWA's Al Aweer Power Station and SEWA's Dhaid Station in mid-2007. The final interconnection was made between SEWA and FEWA in June 2009. The network is operated and monitored from a control center at the Al Aweer Power Station and can accommodate a power flow of up to 1,450 MW through the Emirates National Grid.

In addition, at a regional level, the GCC Interconnection Grid, an Arabian Gulf-wide regional grid system, linking the national grids of the GCC member states, which include the United Arab Emirates, the State of Qatar, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Kuwait and the Sultanate of Oman, was created. The first phase of the project, which linked the power grids of the State of Kuwait, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar was completed in July 2009. The second phase of the project, which linked the United Arab Emirates and the Sultanate of Oman to the GCC Interconnection Grid was completed in April 2011. The operation and usage of the GCC power grid is overseen and regulated by the GCC Interconnection Authority, a corporate entity jointly owned by the GCC member states. It is expected that the GCC Interconnection Grid will add stability to the GCC states' own networks as they will be able to share power in the event of an emergency.

## **Regulation**

### ***Privatization***

In March 1998, the Government of the Emirate of Abu Dhabi established ADWEA to implement a major water and electricity sector restructuring, refurbishment and expansion program in the Emirate of Abu Dhabi. To achieve these goals, ADWEA undertook a partial privatization program in relation to a number of its power generation and water production facilities assets with a view to reducing costs and increasing fuel efficiency through market competition. The ADWEA Privatization Program is one of the largest in the Middle East. The unbundling of the power and water sector began in 1998 under the Water and Electricity Law with the aim to:

- (a) provide safe, secure and reliable water and electricity supply;
- (b) encourage private sector participation in the sector;
- (c) maximize returns from the sale of government-owned assets;
- (d) develop employment and training opportunities for U.A.E. Nationals; and
- (e) support the development plan of the 2030 Economic Vision.

Accordingly, the privatization of the power and water sector was undertaken by ADWEA and overseen by the Regulation and Supervision Bureau. It was implemented through existing power plant asset sales and greenfield projects since the late 1990s based on a 60:40 partnership between the Government of the Emirate of Abu Dhabi and foreign operators. Pursuant to this process, ADWEA divested 40% of its interest in each of its facilities to consortia formed by international developers (as provided below). ADWEA subsequently transferred 90% of its remaining interest in most (but not all) of these facilities to TAQA, as such facilities neared completion. As such, further private sector participation in the power and water sector was achieved through this transfer of ownership interest from ADWEA to TAQA, and the subsequent initial public offering by TAQA in 2005.

The following foreign investors are currently involved in the power and water sector in the Emirate of Abu Dhabi: Marubeni Corporation; JGC Corporation; Total; Engie; Korea Electric Power Company (KEPCO); Sumitomo Corporation; Tokyo Electric Power Company (TEPCO); Powertek Berhad; Osaka Gas Co., Ltd; BTU Group; Jinko Solar and Sembcorp.

Approximately half of the current power generation and water desalination capacity under the ADWEA Privatization Program has been successfully installed through greenfield investment. The power and water sector in the Emirate of Abu Dhabi is known as a “single buyer model” because there is no competitive pool arrangement and all production output is purchased by ADWEC as the “single buyer”.

### ***The Regulation and Supervision Bureau***

The Regulation and Supervision Bureau regulates the power and water industry in the Emirate of Abu Dhabi. The Regulation and Supervision Bureau’s duties concern the water, wastewater and electricity sector of the Emirate of Abu Dhabi only. The Regulation and Supervision Bureau is responsible for enforcing the relevant laws through the licensing of activities to various participant companies who undertake a “Regulated Activity” in the sector. Regulated Activities include the generation, transmission, distribution and sale of electricity and the production, transmission, distribution, sale and treatment of water (including wastewater products).

The Regulation and Supervision Bureau also monitors and modifies where needed, conditions in licenses to participant companies. Additionally, the Regulation and Supervision Bureau has the power to establish and monitor technical, performance, safety and customer standards. Participant companies that wish to dispose of any or all of their assets, or purchase the assets of another generator, transmitter or distributor, must first obtain approval from the Regulation and Supervision Bureau. By way of summary, the scope of the Regulation and Supervision Bureau’s responsibilities includes the following:

- (a) to ensure the security of the supply of water and electricity in the Emirate of Abu Dhabi;
- (b) to ensure the connection and supply of water and electricity to all consumers on reasonable demand;
- (c) to ensure the availability of health and safety guidance regarding water and electricity supply to the public;
- (d) to publish information relating to standards of performance by licensed operators;
- (e) to take account of national and international environmental standards and consult with environmental bodies in the Emirate of Abu Dhabi when necessary in relation to consumer and industry interests;
- (f) to have special regard to the interests of those persons whose lives may be endangered by the lack of potable water and/or electricity and others with special needs in connection with the cost and method of supply and the use of appliances and fittings;
- (g) to promote competition in the water and electricity sector;
- (h) to ensure the operation and development of a safe, efficient and economic sector in the Emirate of Abu Dhabi; and
- (i) to protect the interests of consumers as to the terms and conditions and price of supply of electricity and water.

### ***Distribution Companies***

Two water and electricity distribution companies are licensed by the Regulation and Supervision Bureau to operate in the Emirate of Abu Dhabi:

- (a) ADDC, which, as at December 31, 2016, served approximately 353,000 electricity customers and 282,000 water customers in the Emirate of Abu Dhabi. The Regulation and Supervision Bureau granted ADDC a license on December 13, 1998; and
- (b) AADC, which as at December 31, 2016, served approximately 146,000 electricity customers and 87,000 water customers in the Emirate of Abu Dhabi. The Regulation and Supervision Bureau granted AADC a license on December 13, 1998.

### **Electricity Distribution**

The electricity network of the distribution companies is based predominantly on United Kingdom and European standards. Accordingly, voltages of 33 kV, 22 kV, 11 kV, 0.4 kV and 400 V/230 V are used. ADDC has approximately 36,205 km of network and AADC has approximately 24,750 km of network. In 2015, the peak demand load of ADDC and AADC was approximately 5,515 MW and 2,150 MW, respectively. Both companies have significant areas served by

overhead lines, although major towns and cities are served by underground networks. The overhead networks currently operate below international benchmarks and the effects of weather, including sandstorms and humidity, adversely impact the reliability of such networks. However, the reliability of the Emirate of Abu Dhabi's network is comparable to other capital cities in developed countries. As at December 31, 2016, there were approximately 499,000 electricity customers connected to the network in the Emirate of Abu Dhabi, with ADDC serving approximately 353,000 of them and AADC approximately 146,000.

In addition to rapid expansion of distribution networks to cater to load growth, both companies are implementing programs to install remote controls on their 11 kV networks. These are expected to deliver significant improvements in performance and reduction of power outage times.

### **Water Distribution**

The water distribution system is comprised of water pipes and the associated plant, which are owned and operated by ADDC (in the Emirate of Abu Dhabi) and AADC (in the city of Al Ain) and used for the distribution of potable water to customers and commercial users. The total length of the distribution network operated by ADDC and AADC is approximately 12,397 km. The distribution network is predominantly composed of cement-lined DI pipelines ranging in diameter from 80 mm to 1,200 mm, however, high density polyethylene pipelines are increasingly being used. The distribution network also includes 48 pumping stations with a combined capacity of 127 MIGD and 397 water storage reservoirs with a total storage capacity of 101 MIG.

In 2015 and 2014, total water supply to ADDC was 181,454 MIG and 180,720 MIG, respectively and total water supply to AADC was 68,371 MIG and 67,336 MIG, respectively. In 2015, the average daily water supply to the Emirate of Abu Dhabi and Al Ain was 497.13 MIGD and 187.32 MIGD, respectively. In 2015, the peak supply to ADDC and AADC reached 578 MIGD and 219 MIGD, respectively.

The source water is provided by seawater desalination that originates from the power and water desalination plants located along the coast of the Emirate of Abu Dhabi and the Emirate of Fujairah (including our project). ADDC and AADC are licensed to distribute and supply water. As at December 31, 2016, there were approximately 369,000 water customers (connections) in the Emirate of Abu Dhabi, with ADDC serving approximately 282,000 of them and AADC approximately 87,000.

### ***Water and Electricity Authorities***

Although ADWEA is the sole provider of electricity and water in the Emirate of Abu Dhabi, there are several other water and electricity authorities that operate within the United Arab Emirates, including DEWA, SEWA and FEWA each of whom provide electricity and water in their own respective Emirate but do not sell electricity or water directly to customers within other Emirates.

### ***Environmental Regulation***

We are also subject to environmental regulation by the Environment Agency—Abu Dhabi, which 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. We are further governed through a set of environmental standards applied to international project financing through our financing arrangements, including, for example, the Equator Principles (*i.e.*, the credit risk management framework for determining, assessing and managing environmental and social risk in project financing transactions), which have been adopted by certain leading international financing institutions.

As part of the land leases between ourselves and ADWEA, we have a legal obligation to remove the power generation and water desalination plants and restore the land either at the end of our plant's useful life or if our project becomes unable to continue its operations. We must at our sole cost and expense, dismantle, demobilize, safeguard and transport the assets, eliminate soil and groundwater contamination, fill all excavations and return the surface to the grade of the designated area of our plant.

## DESCRIPTION OF THE ISSUER

### General

We are incorporated as private joint stock company (*sharikah mussahimah khassah*) duly organized and existing under the laws of the U.A.E. and the Emirate of Fujairah pursuant to Decree No. (8) of the Ruler of the Emirate of Fujairah dated April 8, 2006. Our registered office is P.O. Box 3020, city of Fujairah, Emirate of Fujairah. Our telephone number is: +971-9-2088809.

We are registered with the Fujairah Municipality under No. 80089 dated September 12, 2017. We were granted the Water Desalination and Delivery Licence by the Regulation and Supervision Bureau on September 26, 2006.

We are owned by the Local Shareholder (60%) and the International Shareholder (40%) and do not have any subsidiaries of our own.

We are incorporated with a share capital of AED 403,896,020 divided into 40,389,602 shares with a par value of AED 10 each. All of our issued shares of capital stock have been duly and validly authorized and issued, are fully paid and non-assessable and are held by the Local Shareholder and the International Shareholder.

### Business of the Issuer

We commenced our commercial operation in June 2004. Our ongoing activities will principally comprise the ownership, operation and maintenance of our project.

We conduct our power generation and seawater desalination operations under several licenses, leases and permits, including our electricity generation and water production license issued by the Regulation and Supervision Bureau and our lease of the land comprising the leased premises on our plant site. Such licenses, leases and permits may be suspended, terminated or revoked if we do not comply with the license or lease requirements, do not comply with any applicable emissions and other environmental requirements, systematically fail to provide required information, become insolvent, fail to fulfill any capital expenditure or production obligations or do not comply with any other applicable license or lease conditions.

### Financial Statements

We are not required by the law of the United Arab Emirates to publish interim financial statements. We intend to publish interim financial statements to the extent that we are required to do so by the terms of our financing documents.

### Directors of the Issuer

Our management is conducted by a Board of Directors that consists of the following directors:

<u>Name</u>	<u>Position</u>
Dr. Majid Husain Alkatheeri .....	Chairman (appointed by the Local Shareholder)
Mr. Ali Hamad Alkaabi .....	Director (appointed by the Local Shareholder)
Dr. Shehab Ahmed Omar Alameri.....	Director (appointed by the Local Shareholder)
Mr. Fahed Hamad Al Shamsi .....	Director (appointed by the Local Shareholder)
Mr. Ng Meng Poh .....	Director (appointed by the International Shareholder)
Mr. Hon Siang Juang, Bernard .....	Director and Executive Managing Director (appointed by the International Shareholder)
Mr. Lim Yeow Keong.....	Director (appointed by the International Shareholder)

The business address where each member of our Board of Directors can be contacted is P.O. Box 3020, city of Fujairah, Emirate of Fujairah.

There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to us.

As at December 31, 2016, we had fourteen employees.

## OUR PROJECT

*In this Offering Memorandum, references to “we”, “us”, “our” or “the project company” are to Emirates Sembcorp Water & Power Company PJSC. In this Offering Memorandum, we refer to the Fujairah 1 independent combined cycle power generation and seawater desalination plant as “our plant” or the “facility” and we refer to our plant, together with all its associated contracts and the gas and water infrastructure as “our project”.*

### Overview

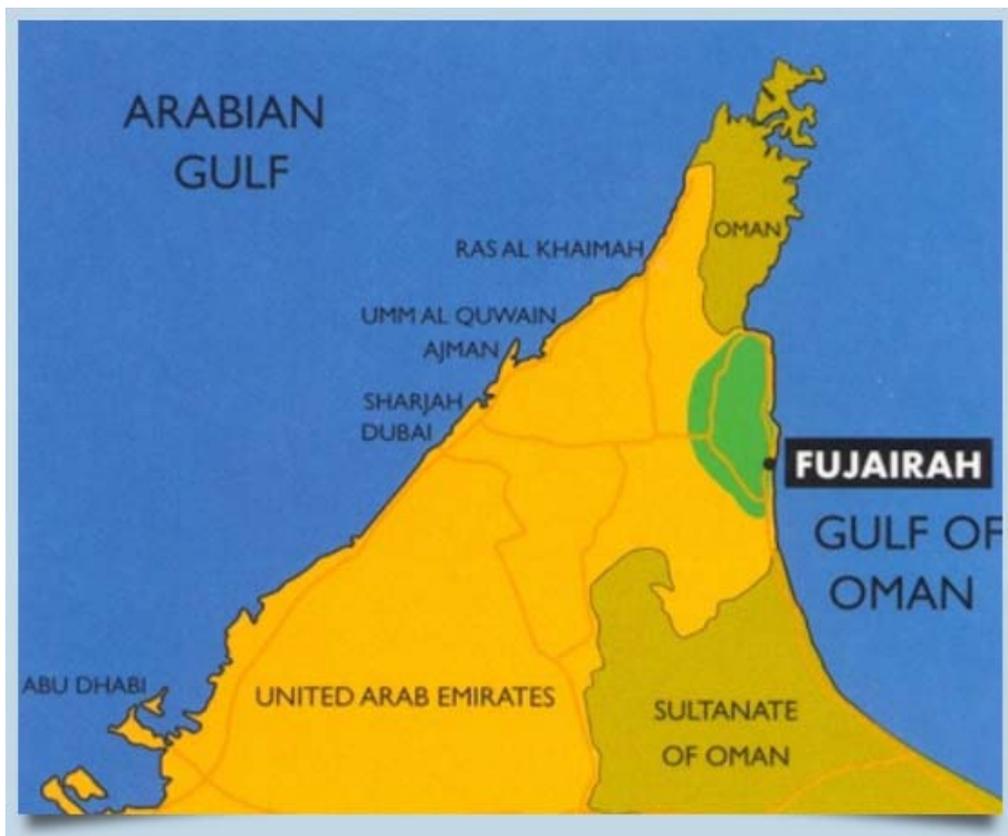
Our project consists of a combined cycle power generation and seawater desalination plant in the Emirate of Fujairah with 760 MW of contracted net power capacity and 130 MIGD of net water capacity (comprising 67.5 MIGD of reverse osmosis (“RO”) desalination capacity and 62.5 MIGD of multi-stage flash desalination capacity). The original project entered into commercial operation in June 2004 with a contracted capacity of 535 MW and 100 MIGD (the “**Original Fujairah Plant**”) and an extension with a contracted capacity of 225 MW was successfully completed in March 2009 (the “**Fujairah Plant Extension**”), increasing the total net electrical contracted capacity to 760 MW (the Fujairah Plant Extension and the Original Fujairah Plant together being the “**Existing Fujairah Plant**”). The New RO Plant, which added an additional 30 MIGD of RO desalination capacity, was successfully completed in late 2015, with the commercial operation date of the New RO Plant being achieved on December 1, 2015.

We generate our revenues pursuant to the Power and Water Purchase Agreement with ADWEC, which is indirectly wholly owned by the Government of the Emirate of Abu Dhabi. The terms of the Power and Water Purchase Agreement provide that our power generation and water production capacity is sold exclusively to ADWEC on a long-term take-or-pay basis. The power and water that we produce is used to meet the growing power and potable water demands of the United Arab Emirates.

We are incorporated as a private joint stock company (*sharikah mussahimah khassah*) duly organized and existing under the laws of the U.A.E. and the Emirate of Fujairah pursuant to Decree No. (8) of the Ruler of the Emirate of Fujairah dated April 8, 2006 and are registered with the Fujairah Municipality under No. 80089 dated September 12, 2017. We are 60% owned by the Local Shareholder, which in turn is owned by our Local Sponsors, TAQA and ADWEA, each of which is ultimately controlled by the Government of the Emirate of Abu Dhabi. We are 40% owned by the International Shareholder, which in turn is wholly owned by our International Sponsor. The International Sponsor is a wholly owned subsidiary of SCI, which is listed on the main board of the Singapore Exchange, and is a component stock of the Straits Times Index and several other MSCI and FTSE indices. Temasek Holdings, which is wholly owned by the Singapore Government, owns approximately 49.5% of the shares in SCI. As at December 31, 2016, SCI had a market capitalization of approximately SGD 5,100,000,000. Besides the utilities business, SCI is also a world leader in offshore and marine engineering and an established brand name in urban development.

We are capitalized through a combination of share capital and subordinated shareholder loans provided by the Local Shareholder and the International Shareholder. Our Sponsors have a strong equity alignment with our project, as each, either directly or indirectly through its parent company, has made contributions to our share capital and has made available shareholder loans in an amount *pro rata* to its respective shareholding in us. As at December 31, 2015, our project’s total capital cost was approximately AED 6,160,194,000 (US\$1,677,420,883), which included all construction, insurance and related costs (including finance costs).

We manage the ownership, operation and maintenance of our project. Our plant site is located at Qidfa, in the Emirate of Fujairah, on the Gulf of Oman coast in the United Arab Emirates. A map of the United Arab Emirates with a dot representing where Qidfa is located in the Emirate of Fujairah, is shown below.



The Operator is a company with limited liability duly organized and existing under the laws of the British Virgin Islands, with its principal office at 171 Main Street, Road Town, Tortola, VG1110, British Virgin Islands, acting through its U.A.E. branch registered with the Fujairah Municipality under No. 16956 dated November 3, 2016 and is a wholly owned subsidiary of the International Sponsor. The Operator is managed locally and benefits from the expertise and procedures of our Sponsors who are well-established companies in the region, and whose interests are aligned with ours in ensuring that the Existing Fujairah Plant is efficiently operated and maintained.

The operator of the New RO Plant, pursuant to the DBO Agreement, is the DBO Contractor. The DBO Contractor is an unincorporated joint venture between Acciona Agua S.A. and Acciona Infraestructuras S.A., each duly organized and existing under the laws of Spain, who are well-established companies and whose interests are aligned with ours in ensuring that the New RO Plant is also efficiently operated and maintained.

The combined cycle power generation and seawater desalination technology employed in our plant is a proven technology that has been implemented globally on numerous projects. The power plant consists of four 109 MW GE 9E gas turbines, a 219 MW GE 9FA gas turbine and two 119 MW Siemens steam turbines. The GE 9E and 9FA gas turbines were introduced into the global power market in 1978 and 1992, respectively, and are now well established with hundreds of units in operation worldwide. GE has a strong presence in the Middle East region and its F-class technology is industry-leading and the world's largest fleet, with over 1,100 installed units. The Technical Adviser, who has been involved in our project since its inception as an independent technical adviser to our creditors, has concluded that the power plant technology used at our plant is considered to be proven and that the steam turbine model used at our plant is a proven conventional design and is a low risk technology.

The desalination units in operation consist of five 12.5 MIGD multi-stage flash distillation units supplied by Doosan, which is one of the major suppliers of large capacity multi-stage flash distillation units and has significant experience relating to projects in the Middle East region. The multi-stage flash distillation design has historically been the most widely used technology in the region. The Existing RO Plant consists of a 37.5 MIGD RO unit supplied by Degrémont and the New RO Plant consists of a 30 MIGD RO unit supplied by the DBO Contractor, both of whom have over 30 years' experience using the RO technology. Given recent technological advancements, cost competitiveness and operational flexibility, RO technology has now become the desalination technology of choice in the GCC region. The Technical Adviser has reviewed the key technical design features of the desalination units installed in our plant and is satisfied that these are adequate for the required purpose.

While our project is physically located, and we are incorporated, in the Emirate of Fujairah, the Government of the Emirate of Abu Dhabi and the entities that it directly or indirectly owns are the key governmental stakeholders in our project. For example, the Government of the Emirate of Abu Dhabi controls 60% of the beneficial ownership of our project, is ultimately the sole purchaser of our power and water capacity and output under the Power and Water Purchase Agreement, and is the guarantor pursuant to an unconditional and irrevocable guarantee of the mandatory purchase payment obligations under the Power and Water Purchase Agreement, following termination of the Power and Water Purchase Agreement in certain circumstances.

We are integral to meeting the Emirate of Abu Dhabi's power and water demand and represent a key part of its successful privatization strategy for the power and water sectors. We are one of eleven power (or power and water) projects implemented or currently being implemented by the Government of the Emirate of Abu Dhabi through its wholly owned subsidiary, ADWEA, on a "build, own and operate" basis. Pursuant to the Water and Electricity Law, ADWEA has implemented all of the power (or power and water) projects under the ADWEA Privatization Program and has used a similar procurement and ownership template and contractual framework with each of the power (or power and water) projects. Currently, ten of these eleven power (or power and water) production projects under the ADWEA Privatization Program are in commercial operation. As at September 30, 2017, the net installed power and water capacity of the power (or power and water) projects under the ADWEA Privatization Program (excluding the solar photovoltaic project located at Sweihan that has recently commenced construction) was approximately 14,819 MW and 901 MIGD, respectively. ADWEC projects that the peak summer demand in the Emirate of Abu Dhabi for power and water will increase by approximately 27% and 11%, respectively, between 2017 and 2024. As at September 30, 2017, our project represented approximately 5.1% of the net installed power capacity and approximately 14.4% of the net installed water capacity of the power (or power and water) projects under the ADWEA Privatization Program. Given this continued projected growth in power and water demand, and the substantial power and water production capacity of our project, our project is critical to the existing and future supply of power and water to the Emirate of Abu Dhabi.

Because our project is critical to the power and water supply requirements of the Emirate of Abu Dhabi, we benefit from contractual and other support from the Government of the Emirate of Abu Dhabi and the entities owned by it. Under our Power and Water Purchase Agreement, ADWEC is obliged to pay capacity charges for 100% of the available power and water capacity of our plant, regardless of the dispatch level instructed by Transco. Deductions are made from the capacity charges only to the extent that our plant units are either not available or reduced in their availability pursuant to the terms of the Power and Water Purchase Agreement. The capacity charges are calculated so that they cover our debt service and other fixed costs, including fixed operating and maintenance costs, insurance costs and equity return. In addition to these capacity charges, we also receive output charges and supplemental charges to cover the variable costs of our production and supplemental fees for other specific costs. See "*Summary of Principal Project Documents—Power and Water Purchase Agreement*". Primary fuel is supplied to us free of charge by ADWEC, subject to us achieving the guaranteed heat rate (or guaranteed gas consumption), and backup fuel is currently sourced by us from ADNOC, subject to reimbursement by ADWEC under most circumstances if the backup fuel is used.

## **Our Strengths**

We believe our key strengths are as follows:

### ***Strength of Our Business Model and Underlying Contractual Framework***

#### ***Well-Established Contractual Framework***

Our project is the sixth of the ten operational power (or power and water) projects to have been implemented by the Government of the Emirate of Abu Dhabi through ADWEA on a "build, own and operate" basis under the ADWEA Privatization Program and therefore benefits from a well-established contractual framework. ADWEA has implemented all of the power (or power and water) projects under the ADWEA Privatization Program and has used a similar procurement and ownership template with a similar contractual framework with the other power and water projects under the ADWEA Privatization Program as with our project.

In the event of termination of the Power and Water Purchase Agreement, ADWEC is, in certain circumstances, including, an unremedied event of default by ADWEC, a prolonged EGAI or prolonged FME preventing ADWEC from performing its obligations under the Power and Water Purchase Agreement and a prolonged EGAI preventing us from operating our plant or delivering Net Electrical Energy or Net Water Output, obligated to purchase our project at a price that is at least equal to the outstanding principal amount of, and the amount of accrued interest on, our borrowings (including the Bonds and Bond Redemption Amounts) as at the specified termination date under the Power and Water Purchase Agreement, together with certain termination costs, including Bond Redemption Amounts. See "*Summary of Principal Project Documents—Power and Water Purchase Agreement—Consequences of Termination*", "*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Purchase Price*" and "*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Termination Costs*". In these

circumstances, the obligation of ADWEC to pay this purchase price will be guaranteed by the Government of the Emirate of Abu Dhabi under the Procurer Credit Support. See “*Summary of Principal Project Documents—Guarantee of the Government of the Emirate of Abu Dhabi—Procurer Credit Support*”. We also benefit from minimal exposure to any fluctuations in the U.S. dollar/dirham peg, given that, pursuant to the Foreign Exchange Agreement, the Government of the Emirate of Abu Dhabi guarantees the U.S. dollar availability to convert dirham denominated termination payments due under the Power and Water Purchase Agreement. See “*Summary of Principal Finance Documents—Foreign Exchange Agreement*”.

Furthermore, we benefit from comprehensive insurance arrangements, including terrorism asset protection insurance and business interruption insurance. Our business interruption insurance covers loss of revenue, which in turn covers our debt coverage obligations. In the unlikely event of a reduction in availability and reduction in capacity charges due to an insured event we will be able to call on our business interruption insurance after a deductible period that will ensure 24 months of coverage of capacity charges, which in our view would allow us sufficient time to rectify the cause of such interruption. We are insured against sabotage and terrorism risks under a separate insurance policy which covers property damage and business interruption on a similar basis to the main All Risk Material Damage insurance, subject to an overall limit of US\$200,000,000 per occurrence. See “*Our Project—Insurance*”.

#### *Robust Payment Mechanics*

Under our Power and Water Purchase Agreement, we are entitled to receive capacity charges from ADWEC for the annually tested contracted power and water capacities of our plant, which we declare on a daily basis to Transco. Deductions are made from the capacity charges only to the extent that our plant units are either not available or reduced in their availability pursuant to the terms of the Power and Water Purchase Agreement. See “*Summary of Principal Project Documents—Power and Water Purchase Agreement*”. These capacity charges are payable by ADWEC regardless of the dispatch level instructed by Transco. This means that ADWEC is obliged to pay us capacity charges for 100% of the available power and water capacity of our plant. The capacity charges are calculated so that they cover our debt service and other fixed costs, including fixed operating and maintenance costs, insurance costs and equity returns. In addition, for the power and water that is made available for dispatch, ADWEC also pays us a variable output charge to cover our variable operating costs. Accordingly, we have strong predictability of cash flows that are not affected by the amount of power and water actually dispatched or required by ADWEC.

#### *Assured Fuel Supply from our Off-Taker*

All of the power (or power and water) projects under the ADWEA Privatization Program (except the solar photovoltaic project located at Sweihan) use natural gas as their primary fuel. Under the Power and Water Purchase Agreement, ADWEC is responsible for the procurement and delivery to our plant of all of our natural gas requirements at ADWEC’s own cost, subject to us achieving the guaranteed heat rate (or guaranteed gas consumption). In the event that natural gas is not available, and *provided that* we are not in breach of our obligations regarding the operation of our plant using backup fuel (as further described below), we are still entitled to receive the capacity charges from ADWEC. While using backup fuel, we are not subject to any reduction in the capacity charges that we receive from ADWEC, even in the event of reduced plant capacity. In addition, we are not required to adhere to efficiency criteria when using backup fuel, and do not have to meet any efficiency requirements in respect of the amount of backup fuel that we use. Accordingly, the risk associated with the supply, quality and price of gas required by our project is mitigated.

In the event, among others, of the non-availability of natural gas or a disruption in the natural gas supply system, we have an obligation under the Power and Water Purchase Agreement to maintain a backup fuel supply for seven days of full load at our project site (for continuous operation), purchased by us (for the time being from ADNOC). The cost of backup fuel utilized by us in most circumstances would be passed through to ADWEC under the terms of the Power and Water Purchase Agreement, in the form of a supplemental charge payable to us by ADWEC. See “*Summary of Principal Project Documents—Power and Water Purchase Agreement*”.

If ADWEC were to fail to supply natural gas (and such failure is not attributable to us), such event would qualify as an event of government action or inaction under the Power and Water Purchase Agreement, and ADWEC would be obligated to continue to pay capacity charges, which would continue to support the payments of our debt (including the Bonds and Bond Redemption Amounts). See “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Force Majeure and Government Action or Inaction*”.

#### *Robust Hedging and Financial Risk Mitigation Arrangements*

Under the terms of our financing agreements, following issuance of the Bonds, our project will be exposed to limited interest rate exposure because, pursuant to the Hedging Policy, at all times from the expiry of the Hedge Grace Period until the Term Final Maturity Date, we are required to be a party to one or more US\$ LIBOR/fixed rate interest

rate swaps for an amount not less than, for any period, approximately 80% of the maximum aggregate principal amount that is outstanding during that period under the Senior Debt (other than the total principal amount of the Bonds and any other Senior Debt subject to fixed rate interest), in each case projected and estimated in the then current Project Forecast to be outstanding at any time during that period, assuming full compliance by us with our repayment obligations pursuant to the Hedging Policy. In addition, from the expiry of the Hedge Grace Period until the Term Final Maturity Date, we intend to voluntarily hedge approximately 100% of our Senior Debt subject to floating rate interest.

Furthermore, the risk of any de-pegging or movement between the dirham and U.S. dollar exchange rate is passed through to ADWEC (as our off-taker), under the indexation provisions of the Power and Water Purchase Agreement, which also covers us against certain operational risks associated with increased inflation. See “*Summary of Principal Project Documents—Power and Water Purchase Agreement*”. In any case, we would be permitted under the Finance Documents to put any necessary hedging arrangements in place in the future to protect us against any de-pegging or movement between the dirham and U.S. dollar exchange rate.

### ***Strength of our Project***

#### *Strategic Importance*

The power and water sectors are of high strategic importance to the Emirate of Abu Dhabi and the United Arab Emirates as a whole. Given that as at September 30, 2017, we supplied approximately 5.1% of the net installed power capacity and approximately 14.4% of the net installed water capacity of the power (or power and water) projects under the ADWEA Privatization Program, our project is likely to remain critical to the continued supply of power and water to the Emirate of Abu Dhabi. In addition, ADWEC projects that the peak summer demand in the Emirate of Abu Dhabi for power and water will increase by approximately 27% and 11%, respectively, between 2017 and 2024. The critical nature of our project to the power and water sector in the Emirate of Abu Dhabi is illustrated by the involvement of the Government of the Emirate of Abu Dhabi at various levels of our project as set out below. This involvement creates a strong alignment of interests which distinguishes our project from others around the world.

The Government of the Emirate of Abu Dhabi, both directly and indirectly (through its wholly owned subsidiary ADWEA), participates in and supports our project as follows:

- (a) as *off-taker*, as 100% indirect owner of ADWEC, the sole purchaser of our power and water capacities and output under the Power and Water Purchase Agreement. In the event of termination of the Power and Water Purchase Agreement, ADWEC is, in certain circumstances, obligated to purchase our project at a price that is sufficient to cover the outstanding principal amount of, and accrued interest on, our debt obligations (including the Bonds and Bond Redemption Amounts). See “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Consequences of Termination*”, “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Purchase Price*” and “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Payment of Termination Costs*”;
- (b) as *supplier*, as 100% indirect owner of ADWEC, which is responsible for procuring and delivering all natural gas to our plant at ADWEC’s cost;
- (c) as *majority owner*, as 100% owner of ADWEA and majority indirect owner of TAQA, who together indirectly hold a 60% interest in us;
- (d) as *lessor*, as 100% owner of ADWEA, which is the grantor and ground lessor of the leased premises on which our plant site sits;
- (e) as *back-up fuel supplier*, as 100% owner of ADNOC, which is responsible for delivering all back-up fuel to our plant, the cost of which is reimbursed by ADWEC in most circumstances;
- (f) as *transmission system operator*, as 100% indirect owner of Transco, which is the owner and operator of all power and water transmission facilities in the Emirate of Abu Dhabi; and
- (g) as *guarantor*, pursuant to the Government of the Emirate of Abu Dhabi’s unconditional and irrevocable guarantee of ADWEC’s mandatory purchase payment obligations upon termination of the Power and Water Purchase Agreement in certain circumstances.

### *Fully Operational Project with a Strong Operator and DBO Contractor*

As a fully operational project, we are not exposed to any construction risk and have been in stable operation for almost thirteen years in respect of the Original Fujairah Plant and approximately eight years in respect of the Fujairah Plant Extension. We have been in stable operation since February 2017 in respect of the New RO Plant.

The Existing Fujairah Plant is operated by the Operator in accordance with the Operation and Maintenance Agreement, the term of which is 20 years from the New RO Plant Commercial Operation Date. The Operator is a wholly owned subsidiary of the International Sponsor and has been operating the Existing Fujairah Plant for over eleven years. The commonality of ownership between the Operator and us means that there is a strong alignment of interest which ensures that the Existing Fujairah Plant is operated effectively.

The operation and maintenance of the New RO Plant for the first seven years following the New RO Plant Commercial Operation Date is being performed by the DBO Contractor, under the DBO Agreement, following which the responsibility for such operation and maintenance will be assumed by the Operator under the Operation and Maintenance Agreement. The DBO Contractor is an unincorporated joint venture between Acciona Agua S.A. and Acciona Infraestructuras S.A., each duly organized and existing under the laws of Spain, who are well-established companies and whose interests are aligned with ours in ensuring that the New RO Plant is also efficiently operated and maintained. See “Our Project—Our Operations”.

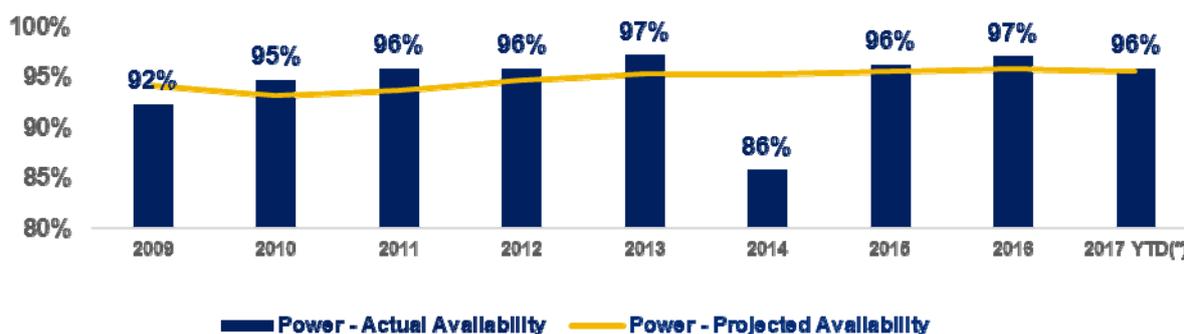
In addition, the Technical Adviser has concluded that the power plant technology used at our plant is considered to be proven and that the steam turbine model used at our plant is a proven conventional design and is a low risk technology. The Technical Adviser has also reviewed the key technical design features of the desalination units installed in our plant and is satisfied that these are adequate for their required purpose.

### *Strong Operational Track Record*

Since 2009, our plant has demonstrated high power and water availability, exceeding projected availability levels (except in 2014 when we experienced a period of reduced power availability due to an outage attributable to the failure of a compressor on a 9FA turbine that occurred in May 2014). Our plant performance has been averaging at 94.5% for power and 96.3% for water (excluding the New RO Plant) from January 2009 to September 2017 (inclusive), consistently exhibiting strong operating performance.

The following charts illustrate the historical and projected power and water availability levels for our plant from January 2009 to September 2017 (inclusive).

#### Power



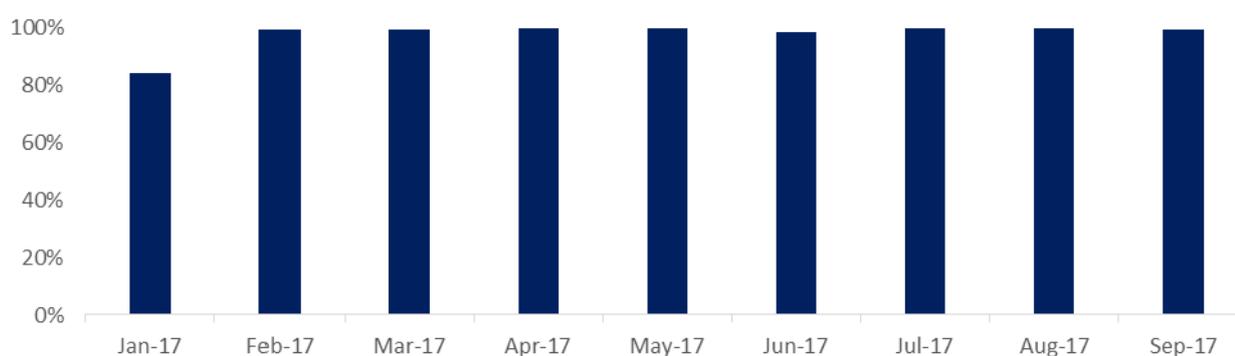
(\*) As at September 30, 2017

### Water (Excluding New RO Plant)



(\*) As at September 30, 2017

The following chart illustrates the historical availability levels for the New RO Plant from January 2017 to September 2017 (inclusive).



### *Strength of Our Sponsors*

We benefit from the extensive power, water and energy experience of our Sponsors, who include developers, owners and operators of large scale gas turbine-based power and desalination projects both internationally and in the United Arab Emirates. Our project is strategically important to all three of our Sponsors, who provide us with technology and expertise that is critical to our operational success. For a description of our Sponsors, see “*Description of Our Sponsors*”.

### **Our Shareholders**

Below is a short summary about each of our Shareholders and certain of our other indirect holding companies.

#### *Local Shareholder—Union Power Holding Company PJC*

Union Power Holding Company PJC (the “**Local Shareholder**” or “**UPHoldCo**”) was incorporated as a public joint stock company under the Federal Laws and the laws of the Emirate of Abu Dhabi pursuant to the Decision No. (18), Session 16/2006 of the Executive Council of the Emirate of Abu Dhabi and is registered in the commercial register of the Emirate of Abu Dhabi under number CN-1005266 dated May 8, 2017 with its registered office in the city of Abu Dhabi, Emirate of Abu Dhabi.

The Local Shareholder is 90% owned by TAQA, and 10% owned by ADWEA. The Local Shareholder has a 60% ownership interest in us, resulting in TAQA having a 54% indirect ownership interest in us and ADWEA having a 6% indirect ownership interest in us.

#### *International Shareholder—Sembcorp Gulf Holding Co Ltd.*

Sembcorp Gulf Holding Co Ltd. (the “**International Shareholder**” or “**SGHoldCo**”) is a BVI Business Company incorporated in the British Virgin Islands on February 28, 2006 under BVI company number: 1012983 whose registered office is at 171 Main Street, Road Town, Tortola, VG1110, British Virgin Islands.

The International Shareholder is wholly owned by the International Sponsor, which in turn is wholly owned by SCI. The International Shareholder has a 40% ownership interest in us, resulting in the International Sponsor and SCI having a 40% indirect ownership interest in us.

## **Our Plant**

Our project consists of a combined cycle power and seawater desalination plant located at Qidfa, in the Emirate of Fujairah, on the Gulf of Oman coast in the United Arab Emirates. Our plant is fully operational, having achieved the commercial operation date of the Original Fujairah Plant in June 2004, the commercial operation date of the Fujairah Plant Extension in March 2009 and the commercial operation date of the New RO Plant on December 1, 2015.

### ***The Qidfa Complex***

The Qidfa complex is owned by ADWEA, which is the governmental instrumentality vested with ownership of all of the Government of the Emirate of Abu Dhabi's land dedicated to the Emirate of Abu Dhabi's power and water sector. Pursuant to the Land Lease, ADWEA grants us a lease of the land comprising the leased premises on our plant site until September 30, 2038 for a nominal rent (see "*Summary of Principal Project Documents—Land Lease*"). We are dependent upon the lease of the land comprising the leased premises on our plant site together with associated easement rights to such land, including the right to use certain utility easement facilities located within such area.

### ***Our Technology***

Our plant employs a combined cycle technology that uses natural gas to produce electrical power and to desalinate water. Combined cycle cogeneration plants combine the cogeneration of electricity with the desalination of seawater in a single location. Our plant also employs multi-stage flash distillation to desalinate the seawater supplied to it. Multi-stage flash distillation is one of the most widely used desalination methods world-wide, involving the heating of saline water to high temperatures and passing it through vessels of decreasing pressures to produce the maximum amount of fresh water (see "*Our Project—General Facility Description—Multi-Stage Flash Distillation*").

The multi-stage flash distillation technology used in our project has been used successfully in power and water projects throughout the Arabian Gulf. The United Arab Emirates initially relied on a certain number of simple cycle gas turbine generators, but has in almost all cases switched to combined cycle cogeneration plants associated with steam turbines and desalination units.

The RO technology used in our project has been used successfully in power and water projects throughout the Arabian Gulf. The flexible nature of RO technology (which, unlike multi-stage flash distillation technology, can be operated without the need to operate the combined cycle gas turbines in low load) provides for significant operational flexibility and cost savings.

### ***Gas Interconnection***

All of the power (or power and water) projects under the ADWEA Privatization Program (except the solar photovoltaic project located at Sweihan) use natural gas supplied as their primary fuel. Under the Power and Water Purchase Agreement, ADWEC is responsible for the procurement and delivery to our plant of all of our natural gas requirements at ADWEC's own cost, subject to achieving the guaranteed heat rate (or guaranteed gas consumption). The gas supply to the Qidfa complex is connected to an existing main gas receiving station, which includes a gas delivery point for our plant. GASCO provides the equipment necessary to deliver the natural gas to our plant and is responsible for the operation and maintenance of this equipment throughout the life of our project. We have no agreement or direct contact with GASCO as all the gas procurement is done by ADWEC. The natural gas that is supplied to our plant is not charged to us. Rather, we pay a penalty or receive a bonus, depending upon how efficiently we use the natural gas (see "*Summary of Principal Project Documents*").

### ***Gas Supply***

The natural gas for our project is sourced from Dolphin and ADWEC procures such natural gas for onward supply to us. ADWEC, as the gas supplier to the power (or power and water) projects under the ADWEA Privatization Program, will continue to focus to make natural gas available to the power (or power and water) projects (including our plant) in the quantities required to operate the facilities. See "*Risk Factors—Risks Relating to ADWEC—We are dependent on ADWEC for our entire supply of natural gas and there can be no assurance that there will be enough natural gas or other cost-efficient sources of fuel available to meet our production needs*".

### ***Backup Fuel***

Our project, along with the other power (or power and water) projects under the ADWEA Privatization Program, must procure its own backup fuel in the form of diesel fuel oil purchased from ADNOC. The backup diesel fuel oil costs for our project represent a “pass-through” to ADWEC under the terms of the Power and Water Purchase Agreement. We are obligated to maintain backup diesel fuel oil storage at our site for the operation of our plant for seven consecutive days of full load operation (for continuous operation). If such backup fuel is utilized by us, we will be reimbursed for backup fuel costs by way of a supplementary fee payment by ADWEC in the following circumstances:

- (a) if gas is not being made available at the gas delivery point;
- (b) if minimum pressure and/or quality of gas at the gas delivery point are not in conformity with the specifications set forth in the Power and Water Purchase Agreement;
- (c) for specified testing of our plant’s backup fuel system; and
- (d) for any other reason by mutual agreement.

If gas is being made available at the gas delivery point but not taken by us (due to an outage in our plant’s gas supply system) and backup fuel is utilized by us, ADWEC will bear the lower cost of either the backup fuel or the cost of equivalent gas. Although we are obligated to meet certain efficiency criteria based on a model while utilizing gas, there is no such obligation when using backup fuel. While using backup fuel, capacity charges are not reduced in the event of lower plant capacity achieved on backup fuel operation; and, accordingly, we are not subject to capacity charge risk while using backup fuel.

### ***Seawater Intake and Outfall***

Seawater is provided to our plant through a dual seawater intake system, which provides water for the multi-stage flash distillation desalination process and plant cooling requirements and separately for the New RO Plant. This separation allows independent chlorination pre-treatment to avoid the New RO Plant impacting the membranes, however, in case of an emergency, the two parts of the seawater intake system can be interconnected to create redundancy. There is also a separate open outfall system for the Existing Fujairah Plant and a separate buried pipe outfall system for the New RO Plant.

### ***Electrical Interconnection***

Our plant is designed to produce and export electricity at a voltage of 400 kV. We are entitled to receive capacity charges from ADWEC based on the annually tested net-dependable power capacity of our plant, which is then declared on a daily basis to Transco’s load despatch center. Transco exports the electricity delivered by us from our plant to ADWEC under the Power and Water Purchase Agreement. Our plant is physically connected to Transco’s facilities at physical connection points and contractually connected to these systems pursuant to a connection, use of system and interface agreement entered into by us with Transco as required under the Transmission Code. If Transco fails to provide us with connections or disconnects our systems or if Transco’s transmission facilities fail to provide us with adequate transmission capacity, our ability to deliver electricity would be restricted and Transco’s load despatch center could be restricted from dispatching our plant units. In the event that we are disconnected from the Transco system, *provided that* our plant units are available during any periods of disconnection (without fault on our part or transmission system insufficiency or failure) we would be entitled to continue to receive capacity charges for available power and water capacities, but we would receive no output charges for the shortfall in output.

### **Technical Overview**

Our plant employs a combined cycle cogeneration technology, which is more particularly described below.

### **General Facility Description**

The facility consists of combined cycle cogeneration power and desalination facilities based on a cogeneration configuration designed to provide 760 MW of power capacity and 130 MIGD of water capacity.

The power plant and the desalination units consist of:

- (a) four GE PG9171E gas turbines of 109 MW with associated heat recovery steam generators (“**HRS**G”);

- (b) one GE PG9351FA gas turbine of 219 MW with an associated HRSG;
- (c) two Siemens NG90/90 steam turbines of 119 MW;
- (d) five Doosan multi-stage flash distillation units, each with a capacity of 12.5 MIGD;
- (e) one two-stage RO unit by Degremont with a capacity of 37.5 MIGD;
- (f) one two-stage RO unit by the DBO Contractor with a capacity of 30 MIGD and its own potabilization plant; and
- (g) the DAF Unit with a capacity to pre-treat all necessary feedwater for the whole RO capacity.

In addition, the power plant and the desalination units also include the following components:

- (a) an administration, control room and storage building;
- (b) connection to natural gas supply, water export and power export systems;
- (c) seawater intake and outfall;
- (d) backup fuel supply;
- (e) a demineralization plant; and
- (f) associated auxiliaries.

The Technical Adviser has confirmed that our plant design, technology and engineering satisfy with the operational requirements specified in the Power and Water Purchase Agreement and are consistent with international best practice for large combined cycle gas turbine power and desalination projects.

### ***Serious Outages***

In 2014, we experienced a period of reduced power availability due to an outage attributable to the failure of a compressor on a 9FA turbine that occurred in May 2014. The failure of the 9FA compressor stator S1 blade liberation (and damage on the other stator and rotor stages) triggered our property damage and business interruption insurance cover, other than a deductible of US\$4.89 million, which was our responsibility. GEGS (formerly GEIOC), as the CSA Contractor and the original equipment manufacturer, performed the rectification works in 134 days.

The Power and Water Purchase Agreement allows for deductions in the capacity we provide, including for budgeted planned and unplanned outages; however, a prolonged unbudgeted outage at our plant could have a material effect on our results of operations. See “*Risk Factors*”.

### ***Combined Cycle Gas-Fired Power Plant***

Our project consists of a combined cycle power generation and desalination plant. It is a cogeneration facility because it uses excess heat from exhaust gases from the power generation component of our plant in the desalination process. The natural gas for our plant is delivered to the gas delivery point, which is operated and managed by Transco. Our five gas turbines compress air to a high pressure, which is then mixed with natural gas in the combustion chamber and ignited. The hot combustion gases from the combustion chamber drive the gas turbine that in turn drives a generator which generates electricity. The hot exhaust gases from each gas turbine are passed via ductwork to a dedicated supplementary fired HRSG. Each HRSG is a single pressure natural recirculation boiler that generates steam. The steam generated by the HRSG provides steam to two steam turbines. Each steam turbine is a single cylinder double flow back-pressure steam turbine that is rated at approximately 119 MW (gross). The low energy steam discharged from the steam turbine exhaust is then piped to the desalination plant where it is used to desalinate seawater via five 12.5 MIGD multi-stage flash distillation units. The energy produced by the steam generates additional electricity output from the same amount of natural gas input and therefore increases the proportion of the energy in our supply fuel that is converted into useful electricity or heat. This efficiency gain translates into better project economics and a reduced negative impact on our environment.

## ***Cogeneration Desalination Plant***

There are two main inputs to our water desalination process: seawater that is treated to prepare it for the distillation process and heat derived from the power generation portion of our plant, through our use of cogeneration technology. Our plant employs a multi-stage flash distillation desalination methods to convert the treated seawater into steam, which is condensed to collect drinking water.

### ***Multi-Stage Flash Distillation***

Our multi-stage flash distillation technology desalinates water by heating it with the excess heat from exhaust gases from our power generation facilities and then sending it through a series of stages, each at a lower ambient pressure than the previous stage. Sudden insertion of the water into an area of lower ambient pressure causes the water to flash or boil almost instantly, converting a portion of it into steam. The steam that is generated through this process is condensed to collect distilled water. Saltwater is boiled in the initial vessel with excess heat from exhaust gases from our power generation facilities and then passed through the series of vessels. As the steam generated in each vessel is condensed, it gives off heat, which is used to boil the water in the next vessel. The left over brine water is returned to the common seawater facility as return-water.

A multi-stage flash distillation unit consists of several consecutive evaporating chambers, which are maintained at decreasing pressures from the first stage which is hot, to the last stage, which is cold. When the seawater enters the first cell it overheats and immediately “flashes” and releases heat, which subsequently produces vapor. The produced vapor is condensed into freshwater in the tubes at the top of the cell. Seawater flows through the tubes of the heat exchangers where it is warmed by the condensation of the vapor produced in each stage. The seawater then flows through a brine heater where it receives the heat necessary for the process of condensing the steam. This process takes place again when the seawater is introduced into the following cell, and is repeated until the last and coldest stage. The cumulated water builds up the distillate production, which is extracted from the coldest stage. Seawater also concentrates from stage to stage and builds up brine, which is then extracted from the last stage.

### ***Reverse Osmosis***

RO technology desalinates water using semi-permeable membranes and does not require the use of any steam energy. The RO process includes raw seawater intake, pre-treatment using dissolved air flotation (“**DAF**”) and dual media filter, filtration through cartridge filters, processing through RO membranes and remineralization. The seawater is first pre-treated through DAF, a pre-treatment process whereby a concentration of air bubbles is passed into the seawater to allow particles to adhere to the air bubbles and float to the surface, which are then mechanically removed. After the DAF pre-treatment, seawater then goes through a flocculation process. The seawater is dosed with certain chemicals such as ferric chloride, coagulate, etc. and is fed into a flocculator chamber, which has a static mechanical mixer that mixes the treated seawater at a constant rate in order that any particles can coagulate together to form a denser particle for easier removal. From the flocculator chamber, the seawater enters into dual media filters which contain sand and pumice for further filtration of suspended solids.

After the pre-treatment process, the treated seawater is collected in filtered water tanks, which are then pumped through the cartridge filters, which are capable of filtering particles of approximately five microns. The water exiting the cartridge filters are then fed to the RO membranes through a high pressure pump. As the water enters the first pass of RO membranes, the water molecules pass through the semi-permeable membranes while the salts and other contaminants which are not allowed to pass through are discharged in the reject stream. There are also energy recovery devices that recover energy during the first pass through the RO membranes. The water that passes through the first pass RO membrane (permeate water) then enters a second pass of RO membranes for further treatment. Any remaining salts and other contaminants are discharged back to the sea, and the permeate water is sent for remineralization where necessary remineralization chemicals such as carbon dioxide, lime, corrosion inhibitor and sodium hypochlorite are added for safe storage, dispatch and drinking.

## **The Design of our Project**

Our project commenced construction in 2001 and the commercial operation date of the Original Fujairah Plant was achieved in June 2004, the commercial operation date of the Fujairah Plant Extension was achieved in March 2009 and the commercial operation date of the New RO Plant was achieved on December 1, 2015. Our plant design conforms to international standard requirements for power generation and water production facilities, as well as good engineering practices. The main plant design includes gas and steam turbine generators and an auxiliary plant, as well as on-site fuel handling and metering for natural gas and a Transco-operated substation for the export of power at our plant’s delivery point. The water production equipment in our plant supports seawater off-take and seawater discharge from the common seawater system. Our plant has specialized forwarding pumps, which are adequately sized in order to transport the water

produced from our plant into the water network. The water treatment facilities at our plant include a chemical plant, a re-mineralization plant and a chlorination plant. Our plant also includes control and instrumentation designs, plant mechanical equipment, civil works and environmental monitoring systems required to comply with the laws of the Emirate of Abu Dhabi, the Emirate of Fujairah and the United Arab Emirates.

### ***Gas Turbines***

The four original gas turbine generators are GE Frame 9E (PG9171E) heavy duty outdoor units rated at 109 MW. A fifth GE gas turbine (PG9351FA) was commissioned in March 2009 with a guaranteed net output of 219 MW with GE supplying hydrogen cooled generators. This upgraded version of the GT 9F, introduced in 1992, has an inlet temperature of 1,327 °C. This technology is now considered to be proven and low-risk.

### ***Heat Recovery Steam Generators***

Our plant contains five single pressure HRSG. The hot exhaust from our plant's gas turbine is fed into an HRSG to generate steam, which in turn drives a steam turbine. This combination produces electricity more efficiently than either the gas turbine or steam turbine alone. The HRSG are single pressure natural circulation units with horizontal gas flow. The HRSG are manufactured by Doosan, an internationally recognized supplier of HRSG of the type and capacity required for our project and with the necessary experience in the design of supplementary firing systems. There are also several of these HRSG in the GCC region, many of which are owned by our Sponsors, which lead to the availability of common parts and experience, and also the interchangeability of people, parts and knowledge, all of which improve reliability. Please see the Independent Technical Due Diligence Report for further information.

### ***Steam Turbines***

Our plant contains two back-pressure steam turbines, which accept the steam output from the five HRSG. The steam turbines are single cylinder double flow back-pressure steam turbines, each providing a rated gross output of 119 MW. The steam turbines receive steam from the gas turbines at 64 bar and at a temperature of 535°C, which is within the typical range of steam conditions used by steam turbines. The steam turbine exhaust conditions enable steam to be provided at 2.3 bar and at a temperature of 142°C to the desalination plant. The steam turbines are manufactured by Siemens, an internationally recognized leader in steam turbine technology, with a large fleet of such turbines operating worldwide.

The Technical Adviser notes the steam turbine model used for our project has reference units in commercial operation since 2002. The steam turbine model has adequate operational experience, is a conventional and proven design and is a low-risk technology. There are also several of these steam turbines in the GCC region, many of which are owned by our Sponsors, which lead to the availability of common parts and experience, and also the interchangeability of people, parts and knowledge, all of which improve reliability. See the Independent Technical Due Diligence Report attached as Annex C for further information.

### ***Desalination Units***

Five multi-stage flash distillation units are included in our project. These have been manufactured by Doosan, which is one of the major suppliers of large capacity multi-stage flash distillation units and has significant references for projects in the GCC region. Our project's desalination units are of a conventional single deck, cross tube, design that has been developed over many years with numerous installations worldwide. The Doosan desalination unit used in our plant represents Doosan's largest unit size and has the sufficient capacity required for our project. The Technical Adviser has concluded that the use of the Doosan desalination units represents a minimal increase in technical risk. There are also several of these multi-stage flash distillation units in the GCC region, many of which are owned by our Sponsors, which lead to the availability of common parts and experience, and also the interchangeability of people, parts and knowledge, all which improve reliability. See the Independent Technical Due Diligence Report attached as Annex C for further information.

### ***Reverse Osmosis Units***

Two two-stage RO units are included in our project. One of the units, the Existing RO Plant, has a capacity of 37.5 MIGD and has been manufactured by Degrémont. The other unit, the New RO Plant, has a capacity of 30 MIGD and its own potabilization plant and has been manufactured by the DBO Contractor. Both Degrémont and the DBO Contractor have over 30 years' experience using the RO technology.

The New RO Plant permits the recovery of seawater discharge from the existing MSF facility for reuse as part of the seawater feed. This DAF Unit is designed to cater to the combined feed seawater requirement of the whole RO

plant. The DAF Unit has a bypass system which can be exercised during the PWPA period when the seawater quality is good. Operation of the DAF Unit will be mandatory during the period of red tides or increased turbidity during rainfall.

The Technical Adviser has concluded that the design of the New RO Plant is acceptable. See the Independent Technical Due Diligence Report attached as Annex C for further information about the Existing RO Plant and the New RO Plant.

### ***Heat Reclaimer***

We have undertaken a study and have decided to introduce heat reclaiming technology on the HRSG connected to each of the four GE 9E gas turbines to improve the overall fuel efficiency of our plant (the “**Heat Reclaimer Project**”). The Heat Reclaimer Project represents an innovative solution to increase our plant’s efficiency beyond normal levels and will contribute to the reduction in the environmental footprint of power and water production. The underlying commercial rationale is to reduce fuel costs for ADWEC as Procurer, and as part of the initiative ADWEC will capture 100% of the benefits of the reduction of fuel utilized. The initiative is also beneficial for us. Once the heat reclaimer units are installed, we will have a larger contractual buffer before being liable for heat rate penalties under the Power and Water Purchase Agreement in the event of less efficient operation than projected.

The heat reclaimer units will enable recovery of previously vented waste heat for the production of low pressure steam for the multi-stage flash desalination units, thus reducing the need to produce high pressure steam through auxiliary firing in the furnaces of the HRSGs. This will reduce the overall plant’s fuel requirement. We estimate that the total fuel savings resulting from the installation of the four heat reclaimer units will be approximately US\$3.8 million per year based on our plant’s current operating pattern and fuel gas prices as at the date of this Offering Memorandum.

As at the date of this Offering Memorandum, the estimated cost for installing the four heat reclaimers is US\$17 million, which is included in the Computer Model both in terms of capital expenditure and an increase in the fixed O&M cost recovery charge rate for water under the Power and Water Purchase Agreement as reimbursement to us for such cost. The capital expenditure will be funded by amounts standing to the credit of the distribution accounts and available for distribution to the Shareholders. In addition, ADWEA has undertaken, pursuant to the Shareholders’ Direct Agreement, to indemnify us for any actual or anticipated amounts payable in excess of the amounts payable as total consideration to the contractor implementing the Heat Reclaimer Project under the contract we will enter into with such contractor. Accordingly, we are held financially neutral to the impact of the Heat Reclaimer Project.

The scheduled timing for carrying out the retrofitting of the heat reclaimer coil will be one month per HRSG. It is normal practice to perform such retrofits and upgrade works during the off peak period when maintenance programs are usually planned. The retrofit will be carried out during the same maintenance window for the relevant HRSG. The associated piping work can also be achieved at the same time. The Power and Water Purchase Agreement provides that during the Heat Reclaimer Project works ADWEC will continue to pay for deemed available capacity during the winter period in the unlikely event that delays in installation result in a prolonged outage during the winter period.

The Technical Adviser has confirmed that projects of this nature are implemented widely and derive significant benefits to plant operators and tolling counterparties. The Technical Adviser has also confirmed that that construction risk associated with the Heat Reclaimer Project is limited and unlikely to interfere with the operations of our plant.

### ***Connection to the Emirate of Abu Dhabi Electricity and Water Distribution Grids***

The electricity and water that we produce is transmitted by Transco which is the licensed system operator for the power and water transmission facilities in the Emirate of Abu Dhabi. The terms of our transmission are governed by a Connection, Use of System and Interface Agreement with Transco. See “*Certain Relationships and Related Party Transactions*” and “*Summary of Principal Project Documents—Connection, Use of System and Interface Agreement*”. Transco transmits our water and power to the existing electricity and water distribution network of the Emirate of Abu Dhabi, which is managed by ADDC and AADC. We do not have any contractual agreement or direct contact with ADDC or AADC.

To transport the electricity produced from our plant into the main electricity distribution network, our plant has connection equipment that includes metering systems, which are owned, operated and maintained by Transco.

The water produced at our project is pumped out of our plant by the Transco pumping station and subsequently connected into the existing water infrastructure.

## ***Our Sole Off-Taker—ADWEC***

The existing power generation, desalination, transmission and distribution facilities within the Emirate of Abu Dhabi are currently owned and operated by the Government of the Emirate of Abu Dhabi through ADWEA and its subsidiaries. ADWEC is our sole off-taker under the Power and Water Purchase Agreement, and a wholly owned subsidiary of ADWEA. ADWEC will purchase from us, and we will deliver to ADWEC, the electrical power generated and the desalinated water produced by our plant through the connection equipment that Transco (a wholly owned subsidiary of ADWEA) operates and maintains. ADWEC transmits the output of our plant to the end-user customers, who are both residential and industrial consumers, through the Emirate of Abu Dhabi’s electricity grid and water distribution network, both of which are operated and maintained by ADDC (a wholly owned subsidiary of ADWEA) (see “*Our Project—Our Sponsors—ADWEA*”).

## ***Off-Take Arrangements and End Customers***

ADWEC purchases, on an exclusive basis, the entire power and water capacities and output of our project under the Power and Water Purchase Agreement. ADWEC is obliged to pay capacity charges for 100% of the available power and water capacity of our plant, regardless of whether or not ADWEC uses this capacity and puts it into the electricity and water network. In addition to capacity charges (which are designed to cover our fixed operating and maintenance costs, debt service and equity return), ADWEC pay us a variable output charge that is designed to cover our variable operating costs as well as pass-through payments to cover certain other costs we incurred, including taxes (see “*Our Project—Our Strengths—Robust Payment Mechanics*” and “*Our Project—Our Strengths—Strength of our Business Model and Underlying Contractual Framework—Well-Established Contractual Framework*”).

## **Our Operations**

Our project benefits from a robust and well understood commercial structure, which is consistent with other power (or power and water) projects in the Emirate of Abu Dhabi. The diagram below summarizes our main project agreements, an amended and restated version of which is to become effective from and after the Closing Date, if applicable, and the relevant parties:

<b><u>Selected Project Agreements</u></b>	<b><u>Parties</u></b>	<b><u>Date of Execution</u></b>	<b><u>Term</u></b>	<b><u>Expiration Date</u></b>
Shareholders’ Agreement	The Shareholders	Closing Date	40 years from the project company’s commercial registration	September 21, 2046
Power and Water Purchase Agreement	The project company ADWEC	Closing Date	20 years from the New RO Plant Commercial Operation Date	December 1, 2035
Land Lease	The project company ADWEA	Closing Date	32 years commencing on September 26, 2006	September 30, 2038
Operation and Maintenance Agreement	The project company Sembcorp Gulf O&M Co Ltd	Closing Date	20 years from the New RO Plant Commercial Operation Date	December 1, 2035
DBO Agreement	The project company Acciona Agua S.A. and Acciona Infraestructuras S.A.	January 15, 2013	7 years from the New RO Plant Commercial Operation Date	December 1, 2022
Contractual Services Agreement	Sembcorp Gulf O&M Co Ltd GEGS (formerly GEIOC)	October 10, 2006	The first to occur of the following: (a) the date upon which every Covered Unit has reached its Performance End Date; (b) 23 years from the Contract Effective Date; or (c) 20 years from the Commercial Operation Date of the New Unit	—
Transco Connection Agreement	UWEC (The project company following assignment) Transco	October 1, 2005	The first to occur of the following: (a) termination by Transco for unremedied event of default; or (b) termination by the project company on decommissioning or disconnection of our plant from Transmission System	—

## ***Operation and Maintenance***

The Existing Fujairah Plant is operated by the Operator in accordance with the Operation and Maintenance Agreement, the term of which is 20 years from the New RO Plant Commercial Operation Date. The Operator is a wholly owned subsidiary of the International Sponsor and has been operating the Existing Fujairah Plant for over eleven years. The commonality of ownership between the Operator and us means that there is a strong alignment of interest which ensures that the Existing Fujairah Plant is operated effectively.

The Operator is responsible for maintaining the Existing Fujairah Plant in accordance with the applicable legal requirements, good utility practice and provisions of the Power and Water Purchase Agreement. Under the provisions of the Operation and Maintenance Agreement, the Operator carries out the operation and maintenance of the Existing Fujairah Plant, including maintenance, overhaul and special repair services based on a “fixed fee plus escalation” structure until January 31, 2021, after which it is priced on a “cost plus fee” structure. The Operator incurs liabilities for failing to achieve targeted power and water availability and if feedstock demand is greater than projected demand.

The New RO Plant is operated by the DBO Contractor in accordance with the DBO Agreement, the term of which is seven years from the New RO Plant Commercial Operation Date. The DBO Contractor has been operating the New RO Plant since December 2015. The DBO Contractor is responsible for maintaining the New RO Plant until the New RO Plant Handover Date in accordance with the applicable legal requirements and good utility practice. Under the provisions of the DBO Agreement, the DBO Contractor carries out the operation and maintenance of the New RO Plant based on a fixed fee structure. The DBO Contractor receives reduced fees for failure to achieve targeted water availability and incurs liabilities if water quality does not satisfy the required water quality or if electricity demand is greater than projected demand.

## **Insurance**

We are obligated under the Power and Water Purchase Agreement and the common terms agreement to maintain insurance against those risks, and in amounts, usually insured against by skilled and experienced owners or operators of comparable facilities in the Middle East under the same or similar conditions, where such insurance is obtainable on commercially reasonable terms in the domestic and international insurance market. Our project benefits from an insurance regime that reflects United Arab Emirates precedent for power and water projects which have been financed since 2002. Insurance regulations in the United Arab Emirates require that risks located in each territory be insured with local insurers. Our plant insurances are placed within the international reinsurance markets. The insurances held by our plant are in compliance with the Power and Water Purchase Agreement and the common terms agreement. Except as otherwise described in “*Summary of Principal Finance Documents—Common Terms Agreement*”, we are obligated to apply any and all insurance proceeds received by or in connection with the damage to or loss of our plant towards the repair, reconstruction or replacement of our plant and its associated interfaces.

### ***All Risk Material Damage***

In respect of physical risks, our plant is covered under a property damage policy that is provided through Marsh Emirates Insurance Brokerage (“**Marsh**”) and placed with reinsurance markets in Singapore, Dubai and London, led by AIG Underwriters. Our operational “all risks” material damage insurance covers the physical loss of or damage to all buildings, structures, machinery, plant, equipment and other property comprising the facility. Our plant is covered for a maximum foreseeable loss limit of US\$1,482,650,000 under our All Risk Material Damage insurance (combined with business interruption insurance). This insurance is provided through Abu Dhabi National Insurance Company.

### ***Business Interruption Insurance***

In respect of business interruption, our plant is covered under a business interruption program, which covers us against loss of the capacity charges due to physical loss or damage to our plant. The policy provides for 24 months of coverage of capacity charges for power and water. In respect of liability, the program is placed through Marsh and provides for a limit of US\$394,000,000 (combined with All Risk Material Damage insurance). This policy is provided through Abu Dhabi National Insurance Company. In respect to third party risk, we are covered under a third party policy with a limit of US\$50,000,000 that is provided through Marsh and insured through Abu Dhabi National Insurance Company.

### ***Terrorism***

In respect of terrorism, our plant is insured against sabotage and terrorism risks under a separate insurance policy which covers property damage and business interruption on a similar basis to the main All Risk Material Damage insurance, subject to an overall limit of US\$200,000,000 per occurrence.

## ***Miscellaneous***

We hold workmen's compensation and automobile liability insurance in the required amount as prescribed under applicable United Arab Emirates law.

## **Health and Safety and Environment**

The Fujairah Municipality granted the environmental approval for the New RO Plant on May 4, 2011 based on a comprehensive environmental impact assessment report. The Fujairah Municipality approval confirms that the New RO Plant meets the applicable environmental requirements in all aspects both for the construction and operation stages.

The Fujairah Municipality renewed the environmental license for our plant on September 11, 2017.

We are subject to various national and local environmental laws and regulations governing the emission, discharge, handling, storage, transportation, disposal, import and export of hazardous waste and materials. We have a strong environmental record and believe that we are currently in material compliance with all applicable regulations. We currently possess all material environmental licenses and permits required for the operation of its businesses. Our plant is managed in accordance with the ADWEA "environment and health and safety guidelines" and is compliant with all United Arab Emirates requirements.

## **Real Property**

ADWEA has granted us a lease of the land comprising the leased premises on our plant site, which is owned by ADWEA, as specifically described in the Land Lease. The initial term of the Land Lease is 32 years and will expire on September 30, 2038. The term will be renewed automatically on a year-to-year basis following expiry of the initial term. The leased premises are leased to us at a nominal basic rent amount of AED 1.00 per annum, payable in advance.

## **Employees**

The Existing Fujairah Plant is operated by the Operator, and we have entered into an operation and maintenance agreement with the Operator pursuant to which the Operator provides all of our operational, maintenance and management functions and all of our personnel, in respect of the Existing Fujairah Plant. The Operator has limited liabilities as agreed in the Operation and Maintenance Agreement. The New RO Plant is operated by the DBO Contractor under the DBO Agreement, the term of which is seven years from the New RO Plant Commercial Operation Date, pursuant to which the DBO Contractor provides all operation and maintenance functions and personnel in respect of the New RO Plant.

As at December 31, 2016, the Operator had 122 employees, the DBO Contractor had 33 employees and we had fourteen employees. The Local Shareholder is responsible for appointing the chairman, the human resources director and the chief financial officer and the International Shareholder is responsible for the appointment of the executive managing director and the deputy chief financial officer, with our remaining employees being appointed by management. All such appointments are approved by our Board of Directors.

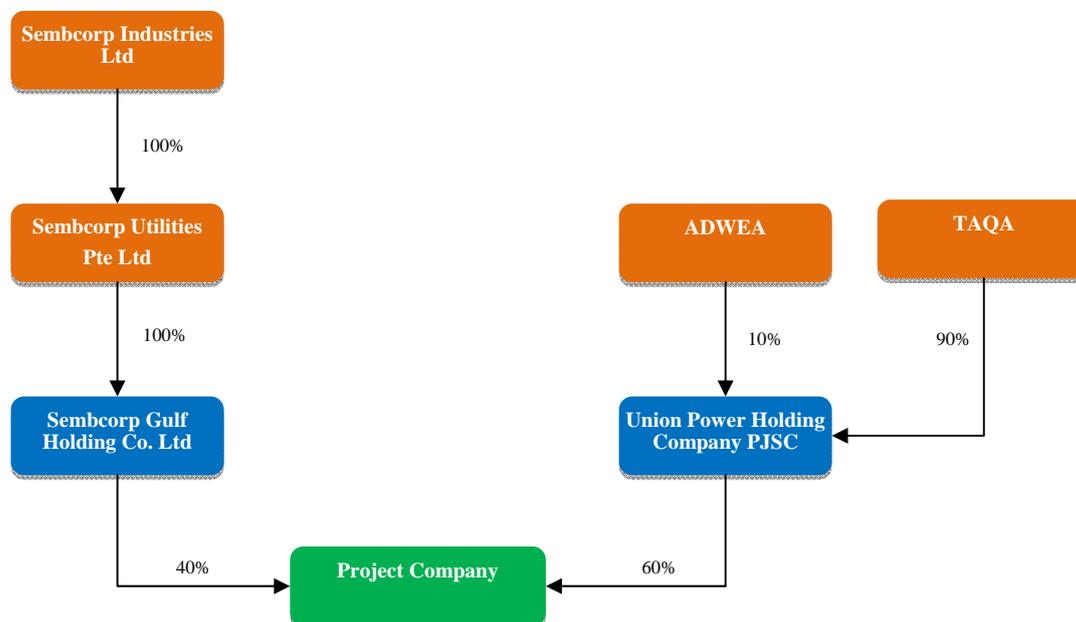
## **Legal Proceedings**

We are not currently a party to any material legal proceedings.

## DESCRIPTION OF OUR SPONSORS

### Our Sponsors

The following diagram sets out our current ownership structure:



Below is a description each of our Sponsors.

### Local Sponsors

Each of the power (or power and water) projects is structured as a joint-stock company established by a local shareholder and the foreign shareholder(s). Our Local Sponsors have an indirect interest in us through their respective ownership interest in the Local Shareholder. TAQA holds a 90% ownership interest in most (but not all) local shareholders (including, the Local Shareholder) and ADWEA holds the remaining ownership interest in each local shareholder (including, the Local Shareholder). Each local shareholder (including, the Local Shareholder) holds a 60% ownership interest in each project company, with the remaining 40% being held by the foreign shareholder(s) (except in the case of Mirfa IWPP). Accordingly, TAQA has an indirect 54% interest in eight of the eleven power (or power and water) projects under the ADWEA Privatization Program, and ADWEA has an indirect interest of at least 6% in such eleven projects. A brief description of each of the Local Sponsors is set out below.

#### ADWEA

Pursuant to the Water and Electricity Law, the Government of the Emirate of Abu Dhabi established ADWEA in 1998 with a mandate to implement the Government of the Emirate of Abu Dhabi's policy regarding the water and electricity sector, including the long-term partial privatization program of the water and electricity sector in the Emirate of Abu Dhabi. ADWEA is currently engaged with the eleven power (or power and water) projects under the ADWEA Privatization Program under which ADWEA (directly and indirectly) controls a 60% interest in each of such projects. ADWEA also manages a number of wholly owned subsidiaries responsible for different activities in the water and electricity sector including, AADC, ADDC, ADWEC and Transco.

#### Power and Water Business

ADWEA is a separate legal identity with financial and administrative independence from the Government of the Emirate of Abu Dhabi. ADWEA determines all business relating to the formulation, development and implementation of the policy of the Government of the Emirate of Abu Dhabi in relation to the water and electricity sector in the Emirate of Abu Dhabi, including:

- (a) power generation and water production through its involvement in several power (or power and water) projects;

- (b) distributing power and water to more than 2.9 million people representing approximately 31.9% of the total population of the United Arab Emirates in 2016;
- (c) increasing the efficiency of the water and electricity networks while reducing their operating costs; and
- (d) generating employment opportunities for the United Arab Emirates residents.

The Government of the Emirate of Abu Dhabi, through ADWEA, on a “build, own and operate” basis under the ADWEA Privatization Program, implements the long-term privatization program of the power and water sector. Since 1999, ten power (or power and water) projects have been constructed and operated in the United Arab Emirates and one (the solar photovoltaic project located at Sweihan) has recently commenced construction.

#### United Arab Emirates Power and Water Experience

ADWEA is involved in the whole value chain of activities related to the water and electricity sector in the Emirate of Abu Dhabi through its wholly owned subsidiaries: AADC, ADDC, ADWEC and Transco and, of these subsidiaries, the operation of our project is facilitated through interaction with the following entities:

#### Transco

Transco is a public joint stock company, located in the Emirate of Abu Dhabi. Transco receives supplies of water and electricity from the production companies connected directly to the Emirate of Abu Dhabi’s water and electricity systems for onward transmission to the distribution companies. Transco is responsible for the transmission of electricity at high voltages of 400 kV, 220 kV and 132 kV. Transco is also responsible for water storage and transmission through 1,600 mm to 800 mm diameter pipelines installed over the Emirate of Abu Dhabi. Transco is responsible for the operation and maintenance of the infrastructure at our project to enable the power and water produced to be connected directly to the Emirate of Abu Dhabi’s water and electricity systems.

#### ADWEC

ADWEC is a private joint stock company (*sharikah mussahimah khassah*) duly organized and existing under the Federal Laws and the laws of the Emirate of Abu Dhabi pursuant to the Water and Electricity Law and Decision No. 101 of 1998 of the board of management of ADWEA as a wholly owned indirect subsidiary of ADWEA, and registered in the commercial register of the Emirate of Abu Dhabi under No. CN-1002479 dated April 13, 2017, with its registered office in the Emirate of Abu Dhabi.

ADWEC is the sole purchaser and seller of water and electricity output from producers under various power and water purchase agreements and charges the distribution companies for water and electricity delivered via the Transco networks under a bulk supply tariff. ADWEC is the sole purchaser of the power and water produced by our project. In addition, ADWEC purchases gas fuels from the fuel suppliers for the producers and handles financial settlements with all stakeholders. The key role of ADWEC is to ensure sufficient production capacity for all reasonable demand for water and electricity in the Emirate of Abu Dhabi and the Emirate of Fujairah at all times. ADWEC’s main tasks include:

- (a) preparing long-term demand forecast for electricity and water;
- (b) preparing and publishing an annual statement of future capacity requirements;
- (c) tendering and procuring new power and water plant capacity;
- (d) procuring electricity and water production;
- (e) purchasing fuel (gas) for the use of licensed generators;
- (f) settling all payments due to the licensed generators and fuel suppliers; and
- (g) invoicing the distribution companies on the basis of the bulk supply tariff for electricity and water supplied.

ADWEC is governed by its board of directors, comprising ADWEA principals and the ADWEC managing director and adviser. Day-to-day management of ADWEC is conducted by its managing director and a team of four senior management staff responsible for the duties outlined above covering the sections of planning and studies, procurement and contracts and finance and administration.

## ADDC

ADDC is a public joint stock company, located in the Emirate of Abu Dhabi. As at December 31, 2016, ADDC served approximately 353,000 electricity customers and 282,000 water customers in the Emirate of Abu Dhabi, the majority of which were residential. ADDC is responsible for distribution of electricity at 0.4 kV, 11 kV, 22 kV and 33 kV.

## AADC

Al Ain Distribution Company (“AADC”) is a public joint stock company, located in the city of Al Ain. As at December 31, 2016, AADC served approximately 146,000 electricity customers and 87,000 water customers in the Emirate of Abu Dhabi, the majority of which were residential. AADC is responsible for distribution of electricity at 0.4 kV, 11 kV and 33 kV.

## TAQA

TAQA was established in June 2005 pursuant to Emiri Decree (16) of 2005 as a public joint stock company wholly owned by ADWEA.

In August 2005, TAQA’s shares were listed on the Abu Dhabi Securities Exchange and a concurrent equity offering reduced ADWEA’s shareholding in TAQA to 51% of its share capital. During the third quarter of 2008, following the issuance of mandatory convertible bonds and the conversion of the bonds into ordinary shares, ADWEA’s shareholding increased to 52.38%. In April 2017, ADWEA bought the Fund for the Support of Farm Owners’ shareholding, thereby increasing its shareholding in TAQA to approximately 74%.

TAQA’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, India and the United States. In addition to its interests in the power and water sector, TAQA focuses on oil and gas exploration and production and gas storage in diverse geographies. TAQA has an interest in power generation and water desalination plants both internationally and across the Middle East and intends to continue the expansion of its presence in the power generation and water desalination sectors. In particular, it continues to pursue both selective acquisitions and green-field opportunities through consortia formed with other well-known participants in the international power and water sector. As at December 31, 2016, TAQA’s power and water facilities had 17,410 MW of gross power generation capacity and 917 MIGD of gross water desalination capacity. As at December 31, 2016, based on its percentage ownership, TAQA’s aggregate net interest in the facilities was 10,345 MW and 495 MIGD, respectively.

TAQA has been assigned ratings of A- (negative outlook) by S&P as at April 25, 2017 and A3 (stable outlook) by Moody’s as at June 23, 2015.

## ***International Sponsor***

The International Sponsor has an indirect interest in us through its 100% ownership interest in the International Shareholder. A brief description of the International Sponsor is set out below.

### *Sembcorp Utilities Pte Ltd*

The International Sponsor is a wholly owned subsidiary of Sembcorp Industries Ltd (“SCI”), which is listed on the main board of the Singapore Exchange, and is a component stock of the Straits Times Index and several other MSCI and FTSE indices. Temasek Holdings, which is wholly owned by the Singapore Government, owns approximately 49.5% of the shares in SCI. As at December 31, 2016, SCI had a market capitalization of approximately SGD 5,100,000,000. Besides the utilities business, SCI is also a world leader in offshore and marine engineering and an established brand name in urban development.

The International Sponsor is a leading developer, owner and operator of energy and water assets with strong operational and technical capabilities. It operates on five continents with an established presence in Asia and a strong growing presence in emerging markets around the world.

The International Sponsor has around 11,000 MW of power capacity installed and under development worldwide and is able to generate energy from a variety of fuels including renewable sources. It also has over 1,980 MIGD of water capacity installed and under development worldwide. The International Sponsor has been responsible for operating Salalah IWPP’s 15 MIGD RO plant since March 2012, located in Oman, with availability figures exceeding contractual requirements. The International Sponsor has also been responsible for operating Changi NEWater RO plant

for seven years and Jurong RO water treatment plant for over fifteen years, both located in Singapore. It applies technology to produce energy in ways that are considerate for the environment, and creates innovative solutions for clean, sustainable water. As Singapore's leading water management company with close to nine million cubic meters per day of water capacity in operation and under development worldwide, it has the expertise to provide total water and wastewater solutions for both the industrial and municipal sectors. It also provides integrated solid waste management services in Singapore. Using its integrated group strength, it has established itself as a global leader in the provision of energy, water and on-site logistics to multiple customers on industrial sites.

## MANAGEMENT

### Board of Directors

The following table sets forth the names and positions of our directors. The Local Shareholder is entitled to appoint four directors and the International Shareholder is entitled to appoint three directors. Directors are appointed for a term of three years. At the end of each term, our Board of Directors is reconstituted. A director whose term of office has expired may be re-elected.

<u>Name</u>	<u>Position</u>
Dr. Majid Husain Alkatheeri .....	Chairman (appointed by the Local Shareholder)
Mr. Ali Hamad Alkaabi .....	Director (appointed by the Local Shareholder)
Dr. Shehab Ahmed Omar Alameri.....	Director (appointed by the Local Shareholder)
Mr. Fahed Hamad Alshamsi .....	Director (appointed by the Local Shareholder)
Mr. Ng Meng Poh .....	Director (appointed by the International Shareholder)
Mr. Hon Siang Juang, Bernard .....	Director and Executive Managing Director (appointed by the International Shareholder)
Mr. Lim Yeow Keong.....	Director (appointed by the International Shareholder)

**Dr. Majid Husain Alkatheeri** was appointed to our Board of Directors in March 2012 and has held the position of chairman of our Board of Directors since January 2017. He has also been the executive operations director of ADDC since January 2011. He holds several degrees, including a Bachelor of Science in Electrical Engineering from the University of Arizona, United States and a Master of Science in Project Management from the British University, Dubai, United Arab Emirates.

**Mr. Ali Hamad Alkaabi** was appointed to our Board of Directors in January 2017. He also works for Transco. From 2009 to 2017, he was a director of Emirates CMS Power Company. He holds a Bachelor of Science in Electronics and Electrical Engineering from the U.A.E. University.

**Dr. Shehab Ahmed Omar Alameri** was appointed to our Board of Directors in January 2017. He has also been the Water Project Division Manager of Transco since December 2015. He holds several degrees, including a Bachelor of Applied Science in Mechanical Engineering from Valparaiso University, United States and a Doctor of Philosophy in Water Network Planning from Cranfield University, United Kingdom.

**Mr. Fahed Hamad Alshamsi** was appointed to our Board of Directors in January 2017. He has also been a business support director of ADDC since 1999. He holds a Bachelor of Mass Communication from the U.A.E. University.

**Mr. Ng Meng Poh** was appointed to our Board of Directors in December 2013. He has also been the Executive Vice President and Head of the Group Asset Management of Sembcorp Industries Ltd since 2010. He also sits on the board of several other companies, including, the Operator and Sembcorp Utilities Pte Ltd. He was a director of SembSita Australia from September 2010 to November 2015 and of Sembcorp Bournemouth Water from November 2013 to April 2015. He holds a Bachelor of Mechanical Engineering from the National University of Singapore, Singapore and a Master of Science in Energy Resources from the University of Pittsburgh, United States.

**Mr. Hon Siang Juang, Bernard** was appointed to our Board of Directors as the executive managing director in September 2015. He is also the General Manager of the Operator. He has over 30 years of experience in the oil and gas and power and water sectors. From 1988 to 1993, prior to joining the SCI group, he worked for Schlumberger Technical Services. He holds a Bachelor of Mechanical Engineering from the National University of Singapore and a Diploma in Mechanical Engineering from Singapore Polytechnic.

**Mr. Lim Yeow Keong** was appointed to our Board of Directors in June 2016. He has also been the senior vice president of Sembcorp Utilities and a director of Sembcorp Salalah O&M Services Co. since 2012. He holds a Bachelor of Applied Science in Chemical Engineering with Environmental Engineering from the University of Toronto, Canada.

### Senior Management of the Project Company

As at December 31, 2016, we had fourteen employees, of which the following comprise senior management:

<u>Name</u>	<u>Position</u>
Mr. Abdelhadi Alhammadi .....	Commercial and Technical Director and Secretary
Mrs. Hessah Alyammahi.....	Human Resources Director
Mr. Faisal Abdel Rahim Fikri.....	Chief Financial Officer
Mr. Leo Teng Kwan .....	Deputy Chief Financial Officer

**Mr. Abdelhadi Alhammadi** has been our commercial and technical director and the Secretary of our Board of Directors since 2006. Prior to joining our company, he worked for ADNOC (from 1993 to 1998), Abu Dhabi Refining Company (from 1998 to 2003) and UWEC (from 2003 to 2006). He holds a Bachelor of Science in Mechanical Engineering from the University of North Carolina, United States.

**Mrs. Hessah Alyammahi** has been our human resources director since 2007. Prior to joining our company, she worked for Sharjah Islamic Bank and the Fujairah Municipality (from 2002 to 2007). She holds a Bachelor's Degree in Business and Economics from the United Arab Emirates University and an MBA from Wollongong University.

**Mr. Faisal Abdel Rahim Fikri** has been our chief financial officer since 2013. Prior to joining our company, he worked for Etisalat (from 1999 to 2013). He holds a Bachelor of Science in Accounting from the Canadian Training Centre of NLP INC-Dubai and a Diploma in Management and an Executive Diploma in Strategic Management from the Chartered Management Institute in the United Kingdom.

**Mr. Leo Teng Kwan** has been our deputy chief financial officer since October 2016. He has also been the chief financial officer of the Operator since October 2016. Prior to joining our company, he worked for Sembcorp Industries Limited (from 2006 to 2016). He graduated from the Association of Chartered Certified Accountants (ACCA) and obtained a UK - L.C.C.I. Group Diploma in Accounting. He was admitted as an Associate Member of the ACCA and as a Chartered Accountant of the Institute of Singapore Chartered Accountants. He is a Fellow Member of ACCA.

### ***Corporate Governance***

Pursuant to our articles of association, our Board of Directors must meet at least once every three months. No business of ours may be transacted at any meeting of our Board of Directors unless a quorum of at least five directors are present or represented with at least two directors nominated by each of the Local Shareholder and the International Shareholder. All resolutions taken at a quorate meeting of our Board of Directors shall only be effective and binding on us if passed by more than 75% of the directors present or represented and entitled to vote at the relevant meeting, other than a resolution to terminate the O&M Agreement in circumstances where the Operator is an affiliate, subsidiary or related company of the International Shareholder for which the simple majority of the directors present or represented and entitled to vote at the relevant meeting suffices.

### ***Management***

The executive managing director manages our day-to-day operations, is a member of our Board of Directors and is nominated by the International Shareholder. Other officers include the chief financial officer and the human resources director, who are nominated by the Local Shareholder and the deputy chief financial officer who is nominated by the International Shareholder. All of our other officers are appointed by a resolution of our Board of Directors.

Not later than 30 days prior to the commencement of each fiscal year (ending December 31), the executive managing director must prepare for the approval of the International Shareholder and the Local Shareholder:

- (a) our long-term budget for the next five years commencing on the first day of such fiscal year; and
- (b) our detailed annual operating budget for such year. Any disputes concerning the long-term budget, annual operating budget or otherwise are resolved pursuant to the dispute resolution provisions of the Shareholders' Agreement.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Certain Transactions with Sponsors

#### *Transactions with ADWEA and ADWEC*

Our Shareholders are: (a) the Local Shareholder, whose shareholders are TAQA and ADWEA; and (b) the International Shareholder, whose sole shareholder is the International Sponsor (see “*Our Project—Our Shareholders*”).

ADWEA’s responsibilities include implementing government policy regarding the water and electricity sector in the Emirate of Abu Dhabi, including privatization of the water and electricity sector, and managing and planning the development of the Emirate of Abu Dhabi’s electricity and water supply industry. As a result of the nature and scope of ADWEA’s operations, we are expected to regularly engage in a range of commercial transactions with ADWEA and its affiliates and subsidiaries. These transactions include ADWEC acting as both a purchaser of our products and a procurer of natural gas to us. We believe that all material transactions between ourselves and ADWEC have been conducted, and shall continue to be conducted, on an arm’s-length basis.

ADWEC provides us with natural gas. If natural gas is not available, we must procure our own backup fuel in the form of diesel fuel oil purchased from ADNOC. The backup diesel fuel oil costs for our project represent a “pass-through” to ADWEC under the terms of the Power and Water Purchase Agreement. We are obligated to procure the requisite backup diesel fuel oil for the operation of our plant for seven consecutive days of full load operation (for continuous operation). If such backup fuel is utilized by us, we will be reimbursed for backup fuel costs by way of a supplementary fee payment by ADWEC in the following circumstances:

- (a) if gas is not being made available at the gas delivery point;
- (b) if minimum pressure and/or quality of gas at the gas delivery point are not in conformity with the specifications set forth in the Power and Water Purchase Agreement;
- (c) for specified testing of our plant’s backup fuel system; and
- (d) for any other reason by mutual agreement. See “*Our Project—Our Operations*” and “*Our Project— Our Plant— Gas Interconnection*”.

The capacity of, and power and water output from, our plant is sold exclusively to ADWEC under the Power and Water Purchase Agreement dated July 5, 2006, an amended and restated version of which is to become effective from and after the Closing Date (as defined herein), which has a term of 20 years from the New RO Plant Commercial Operation Date. See “*Summary of Principal Project Documents—Power and Water Purchase Agreement*”. ADWEC will purchase from us, and we will deliver to ADWEC, the electrical power generated and the desalinated water produced by our plant through the connection equipment that Transco (a wholly owned subsidiary of ADWEA) operates and maintains. See “*Our Project—The Design of our Project—Our Sole Off-Taker—ADWEC*”. ADWEC transmits the output of our plant to the end user customers, who are both residential and industrial consumers, through the Emirate of Abu Dhabi’s electricity grid and water distribution network, both of which are operated and maintained by ADDC (a wholly owned subsidiary of ADWEA). See “*Our Project—Our Operations*” and “*Our Project—Our Sponsors—ADWEA*”. ADWEC is obliged to pay capacity charges for 100% of the available power and water capacity of our plant, regardless of whether or not ADWEC uses this capacity and puts it into the electricity and water network. In addition to capacity charges, ADWEC also pays us a variable output charge, which is designed to cover our variable operating costs and pass-through payments. See “*Our Project—The Design of our Project—Off-Take Arrangements and End Customers*”. The Government of the Emirate of Abu Dhabi has provided its irrevocable guarantee in our favor on November 22, 2006, an amended and restated version of which is to become effective from and after the Closing Date (the “**Procurement Credit Support**”) in respect of ADWEC’s mandatory purchase payment obligations on the termination of the Power and Water Purchase Agreement. See “*Summary of Principal Project Documents—Procurement Credit Support*”. In addition, under the Foreign Exchange Agreement, the Government of the Emirate of Abu Dhabi guarantees the ability of Onshore Security Trustee to convert the Power and Water Purchase Agreement termination payment into U.S. dollar. See “*Summary of Principal Finance Documents—Foreign Exchange Agreement*”.

ADWEA as grantor and ground lessor and us as grantee and ground lessee entered into a land lease dated September 26, 2006 (as amended on January 15, 2013 pursuant to the lease variation agreement and licence for alterations), an amended and restated version of which is to become effective from and after the Closing Date (the “**Land Lease**”). The term is 32 years, commencing as at September 26, 2006 and expiring on September 30, 2038. Under the Land Lease, we have been granted by ADWEA a lease of the land comprising the leased premises on our plant site,

which is owned by ADWEA, and certain other rights such as non-exclusive easements and rights of way. See “*Summary of Principal Project Documents—Land Lease*”.

### **Relationships with Certain Affiliated Companies**

We have a relationship with a number of affiliated companies. These affiliated companies are Sembcorp Gulf O&M Co Ltd, GEGS (formerly GEIOC), GE and Transco and certain others.

#### ***Sembcorp Gulf O&M Co Ltd***

The Existing Fujairah Plant is operated by the Operator in accordance with an operation and maintenance agreement with us entered into as at September 26, 2006, an amended and restated version of which is to become effective from and after the Closing Date. The term of the Operation and Maintenance Agreement will commence on the Closing Date and will run for 20 years from the New RO Plant Commercial Operation Date (*i.e.*, until December 1, 2035). The Operator is a company with limited liability duly organized and existing under the laws of the British Virgin Islands and is wholly owned subsidiary of the International Sponsor and has been operating the Existing Fujairah Plant for over eleven years.

Under the Operation and Maintenance Agreement, the Operator agrees to provide to us all operation, maintenance and repair services necessary or advisable to safely, dependably and efficiently operate, maintain and repair the Existing Fujairah Plant as contemplated in the Operation and Maintenance Agreement and the other project agreements. See “*Summary of Principal Project Documents—Operation and Maintenance Agreement*”.

Sembcorp Utilities Pte Ltd (the “**Parent Guarantor**”), provides a corporate guarantee (the “**Parent Guarantee**”) in case of a breach by the Operator of its obligations under the Operation and Maintenance Agreement, subject to a cap of US\$20,000,000 in any contract year. See “*Summary of Principal Project Documents—Operation and Maintenance Agreement—Parent Guarantee*”.

#### ***Sembcorp Gulf O&M Co Ltd, GEIOC and GE***

The Operator has entered into the Contractual Services Agreement with GEGS (formerly GEIOC), as the CSA Contractor, for the long-term maintenance services for the five gas turbines of our plant. The Contractual Services Agreement became effective on October 10, 2006 and will expire, unless terminated earlier, on the first to occur of the following: (a) the date upon which each of the five gas turbines reaches its performance end date; (b) the 23<sup>rd</sup> anniversary of the effective date; and (c) the 20<sup>th</sup> anniversary of the commercial operation date of the New Unit. Under the Contractual Services Agreement, the CSA Contractor is responsible for providing, among others, the following services undertaking the planned maintenance and any unplanned maintenance of any of the gas turbines and carrying out extra work (subject to the Operator’s approval) such as repairing or replacing inspect only components and remedying defects arising from parts or services provided by parties other than the CSA Contractor or its subcontractors. See “*Summary of Principal Project Documents—Contractual Services Agreement*”.

The CSA Parent Company Guarantor (*i.e.*, GE) issued the CSA Parent Company Guarantee on November 17, 2006 for the benefit of the Operator. The CSA Parent Company Guarantor issued an updated CSA Parent Company Guarantee on April 18, 2016 to reflect the assignment by GEIOC of its rights, and the delegation of its performance, under the Contractual Services Agreement to GEGS. The CSA Parent Company Guarantor guarantees to the Operator that if the CSA Contractor fails to fulfill its obligations under the Contractual Services Agreement, the CSA Parent Company Guarantor will perform any necessary steps or actions necessary to ensure these obligations are met and will indemnify the Operator for any losses, damages, costs or expenses that arise as a result of the CSA Contractor failing to perform its obligations under the Contractual Services Agreement. See “*Summary of Principal Project Documents—CSA Parent Company Guarantee*”.

#### ***Transco***

Transco is a public joint stock company, located in the Emirate of Abu Dhabi. Transco receives supplies of water and electricity from the production companies connected directly to the Emirate of Abu Dhabi’s water and electricity systems for onward transmission to the distribution companies. Transco is responsible for the transmission of electricity at high voltages of 400 kV, 220 kV and 132 kV. Transco is also responsible for water storage and transmission through 1,600 mm to 800 mm diameter pipelines installed over the Emirate of Abu Dhabi. Transco is responsible for the operation and maintenance of the infrastructure at our project to enable the power and water produced be connected directly to the Emirate of Abu Dhabi’s water and electricity systems. See “*Description of Our Sponsors—Our Sponsors—Local Sponsors—ADWEA—Transco*” and “*Our Project—The Design of our Project—Connection to the Emirate of Abu Dhabi Electricity and Water Distribution Grids*”. We, as a user of the Transmission System and Transco, as the licensed

system operator entered into the Transco Connection Agreement for, among other things, the connection of our plant at a connection site to the Transmission System and payment by us of connection charges in accordance with the Transmission Code. See “*Summary of Principal Project Documents—Connection, Use of System and Interface Agreement*”.

## SUMMARY OF PRINCIPAL PROJECT DOCUMENTS

The following summaries of selected provisions of the principal project documents are not considered or intended to be full statements of the terms of these agreements or instruments. Unless otherwise stated, any reference in this Offering Memorandum to any agreement will mean such agreement and all schedules, exhibits and attachments thereto as in effect on the date hereof. Copies of each of these agreements and instruments are available for inspection at the office of the Bond Trustee on the basis described under "Description of the Bonds". You will find the definitions of capitalized terms used and not defined in this description in Annex A and as provided elsewhere in this Offering Memorandum.

### Shareholders' Agreement

The original shareholders' agreement was entered into as at July 5, 2006, by and between the Local Shareholder and the International Shareholder as shareholders for the purposes of our establishment, an amended and restated version of which is to become effective from the date on which the Effective Date has occurred (the "**Closing Date**") (the "**Shareholders' Agreement**"). The Shareholders' Agreement governs our governance and management, together with our amended and restated memorandum and articles of association dated May 31, 2016. The below summarizes key provisions of the Shareholders' Agreement as amended and restated and therefore does not cover provisions included in the original shareholders' agreement relating to, *inter alia*, our constitution.

### *Formation and Duration of the Project Company*

We are incorporated as a private joint stock company under the laws of the U.A.E. and of the Emirate of Fujairah pursuant to Decree No. (8) of the Ruler of the Emirate of Fujairah dated April 8, 2006, and are registered with the Fujairah Municipality under No. 80089.

Our duration is 40 years from our first commercial registration date, renewable automatically for five-year periods, absent twelve months' notice by either Shareholder not to renew. Notwithstanding any such notice, our duration will be automatically extended by such period as may be necessary to complete all work in progress under any contract with any third party in effect on the date of any such notice.

### *Share Capital and Shareholder Loans*

We are capitalized through a combination of share capital (with shares having a par value of AED 10 each paid up in cash) and shareholder loans. Our share capital is shown in the table below. We expect a portion of our shareholder loans currently outstanding to be repaid with the proceeds of the Bonds.

### Share Capital and Shareholder Loans

<u>Shareholder</u>	<u>Percentage of Share Capital</u>	<u>Number of Shares</u>	<u>Par Value (AED)</u>
Local Shareholder.....	60%	24,233,761	242,337,610
International Shareholder .....	40%	16,155,841	161,558,410
<b>Total.....</b>	<b>100%</b>	<b>40,389,602</b>	<b>403,896,020</b>

### *Restrictions on Share Transfers*

Except as expressly permitted in the Shareholders' Agreement:

- subject to the transfers permitted as described in "*—Transfers in the Project Company*", our Shareholders cannot transfer or permit to become subject to a lien any of their respective shares in us; and
- subject to the transfers permitted as described in "*—Transfers at the Holdco Level*", no entity who holds a direct or indirect ownership interest in any such Shareholder (an "**Investor**") can transfer or subject to a lien its ownership interest in such Shareholder without the prior written consent of the other Shareholder.

Each Shareholder must at all times abide, and cause its Investors to abide, with the restriction contained in article 10 of the Commercial Companies Law or other applicable law restricting the ownership of our share capital by non-United Arab Emirates persons to not more than 49%.

Non-United Arab Emirates person means:

- any individual who is not a national of the United Arab Emirates; or

- (b) any other entity whose capital stock or share capital is not owned, directly and indirectly, of record and beneficially, entirely by United Arab Emirates persons.

United Arab Emirates person means:

- (a) any individual who is a national of the United Arab Emirates; or
- (b) any other entity organized and existing under the Commercial Companies Law or by decree of a governmental instrumentality whose capital stock or share capital is owned of record and beneficially entirely by nationals of the United Arab Emirates or by any governmental instrumentality.

Governmental instrumentalities include, *inter alia*, the Government of the United Arab Emirates, the Government of the Emirate of Abu Dhabi or the Government of the Emirate of Fujairah, any ministry, department or political subdivision thereof, and any entity under the direct or indirect control of any such government exercising executive, legislative, judicial, regulatory or administrative functions, or any independent regulatory authority, in each case within the Emirate of Abu Dhabi, the Emirate of Fujairah or the United Arab Emirates.

### ***Transfers in the Project Company***

The International Shareholder may at any time transfer shares in us:

- (a) to the Local Shareholder;
- (b) as required by law; or
- (c) as a result of the permitted creation or enforcement of liens to secure indebtedness of us to the financing parties.

The Local Shareholder may at any time transfer shares in us:

- (a) to any other affiliate of ADWEA (if the transfer involves all but not less than all of Local Shareholder's shares);
- (b) as required by law; or
- (c) as a result of the permitted creation or enforcement of liens to secure indebtedness of us to the financing parties.

### ***Transfers at the Holdco Level***

An Investor in the International Shareholder can make:

- (a) at any time following the Closing Date, transfers of all or any part of its ownership interest in the International Shareholder resulting from the permitted creation or enforcement of liens created to secure indebtedness to the financing parties under the financing documents;
- (b) until the third anniversary of the commercial operation date (*i.e.*, March 16, 2009), transfers to a wholly owned affiliate of such Investor;
- (c) after the third anniversary of the commercial operation date (*i.e.*, March 16, 2009), transfers to any person so long as following such transfer SCU continues to hold (directly or indirectly) at least 30% of the economic or ownership interest in the International Shareholder; and
- (d) after the third anniversary of the commercial operation date (*i.e.*, March 16, 2009), all or any portion of SCU's ownership interests in the International Shareholder may be transferred in circumstances not otherwise permitted above with the prior written consent of the Local Shareholder (not to be unreasonably withheld if the proposed transferee is of comparable financial strength and operational management ability to SCU).

ADWEA may transfer at any time all or part of its interest in the Local Shareholder to any affiliate. ADWEA or any affiliate thereof may sell or transfer at any time part of its interest in the Local Shareholder to any United Arab Emirates persons by way of private placement or public offering. Any Investor in the Local Shareholder (other than ADWEA or an affiliate thereof) may at any time sell, transfer, assign, pledge or hypothecate any of its ownership interests in the Local Shareholder, or permit such ownership interests to become subject to any lien at any time, in each case without the consent of the International Shareholder.

### ***Shareholders Reserved Matters***

Decisions are taken on certain material matters by unanimous written approval of the shareholders. Such matters include, among others:

- (a) a change in nature of our business;
- (b) a change in authorized share capital or reduction or issuance of any additional share capital or any option or right to subscribe to additional share capital;
- (c) an amendment of our constitutive documents;
- (d) a sale, transfer (other than permitted transfers), assignment, pledge or hypothecation of shares;
- (e) voting procedure for any general or special meeting of our Shareholders;
- (f) a sale, transfer or other disposal of all or substantially all of our business, undertakings or assets;
- (g) the termination of or a material amendment to any project agreements (other than termination of the Operation and Maintenance Agreement in circumstances where the operator thereunder is an affiliate, subsidiary or related company of the International Shareholder);
- (h) the execution of a replacement Operation and Maintenance Agreement in circumstances where an earlier operation and maintenance agreement has been terminated;
- (i) any amendment to, or termination of, the DBO Agreement or the commencement and prosecution of legal proceedings against the DBO Contractor in relation to the DBO Agreement; or any demand for payment under the Performance Bond or the Handback Bond; or any appropriation of the proceeds for the Performance Bond or the Handback Bond for our benefit; or the signing of the completion certificate, as set out in the DBO Agreement, by us; and
- (j) the content of each of our five-year long-term plans or annual budgets.

Any disputes concerning these shareholders reserved matters or otherwise are resolved pursuant to the dispute resolution provisions of the Shareholders' Agreement, as discussed below.

### ***Board of Directors***

Subject to applicable law and our constitutive documents, our business and affairs are managed by and under the direction of our board of directors ("**Board of Directors**").

Our Board of Directors is composed of seven members: four members are appointed by the Local Shareholder, including the chairman of our Board of Directors and three members are appointed by the International Shareholder. Pursuant to our articles of association, our Board of Directors must meet at least once every three months. No business of ours may be transacted at any meeting of our Board of Directors unless a quorum of at least five directors are present or represented with at least two directors nominated by each of the Local Shareholder and the International Shareholder. All resolutions taken at a quorate meeting of our Board of Directors shall only be effective and binding on us if passed by more than 75% of the directors present or represented and entitled to vote at the relevant meeting, other than a resolution to terminate the O&M Agreement in circumstances where the Operator is an affiliate, subsidiary or related company of the International Shareholder for which the simple majority of the directors present or represented and entitled to vote at the relevant meeting suffices.

### ***Management***

The executive managing director manages our day-to-day operations and is a member of our Board of Directors nominated by the International Shareholder. Other officers include the chief financial officer and the human resources director, both nominated by the Local Shareholder, and a deputy chief financial officer nominated by the International Shareholder. All officers are appointed by a resolution of our Board of Directors.

Not later than 30 days prior to the commencement of each fiscal year (ending December 31), the executive managing director must prepare for the approval of the International Shareholder and the Local Shareholder:

- (a) our long-term budget for the next five years commencing on the first day of such fiscal year; and
- (b) our detailed annual operating budget for such fiscal year.

The Local Shareholder must pay us, within 30 days of receipt of an invoice, all amounts paid by us to the Operator in relation to the implementation of supplemental staff benefits by the Operator at our request pursuant to the terms of the Operation and Maintenance Agreement.

Any disputes concerning the long-term budget, annual operating budget or otherwise are resolved pursuant to the dispute resolution provisions of the Shareholders' Agreement as discussed below.

#### ***Heat Reclaimer Costs***

We will, following the Closing Date, enter into a contract with a reputable international contractor in respect of the implementation of the Heat Reclaimer Project (the "**Heat Reclaimer Procurement and Construction Contract**"). Any amounts payable as total consideration to such contractor (as fixed on the effective date of such contract), including the cost of any third party consultant or engineer engaged by us in relation to the tendering of the Heat Reclaimer Procurement and Construction Contract and the supervision of the works thereunder, shall be funded by amounts standing to the credit of the distribution accounts and available for distribution to the Shareholders. If such amounts are insufficient to pay such costs as they become due and payable under the Heat Reclaimer Procurement and Construction Contract, such costs shall be funded by the Shareholders in proportion to their shareholding in the form of subordinated loans.

#### ***Special Shareholder Payments***

Part of the net proceeds to be received by us from the sale of the Bonds shall be used to pay a refinancing fee to the International Shareholder of US\$4 million. The distribution of such refinancing fee to the International Shareholder reflects the efforts of the International Shareholder in arranging, executing and otherwise facilitating the refinancing of our plant.

In consideration for the efforts of the Local Shareholder in arranging and facilitating the implementation of heat reclaiming technology at our plant, part of the net proceeds to be received by us from the sale of the Bonds shall be used to pay a heat reclaimer structuring fee of US\$6 million to the Local Shareholder from amounts standing to the credit of the distribution accounts and available for distribution to the Shareholders on or after January 31, 2018 (or such other date as may be agreed by the Shareholders) prior to distribution of dividends to the Shareholders. If there are insufficient amounts standing to the credit of the distribution accounts and available for distribution to the Shareholders on such date, the unpaid portion of such heat reclaimer structuring fee shall be payable on or following any subsequent calculation date prior to the distribution of dividends to the Shareholders.

#### ***Fiscal Matters***

Each fiscal year shall end on December 31. The Shareholders must cause us to provide to our Shareholders all information and documents as may be required to permit our Shareholders to make informed judgments with respect to our business and operations, including:

- (a) within 60 days following the end of each fiscal semi-annual period, unaudited financial statements;
- (b) within 120 days after close of each fiscal year, annual financial statements audited by our independent certified public accountants and prepared in accordance with generally accepted accounting principles; and
- (c) within 30 days following the filing thereof, a copy of each tax return required by applicable law.

#### ***Term***

The Shareholders' Agreement becomes effective on the Closing Date and expires upon the expiration of our duration unless terminated earlier:

- (a) by mutual agreement between the parties;
- (b) if at any time as a result of a permitted transfer of shares, the Local Shareholder or its transferee or the International Shareholder, as the case may be, holds no shares in us;

- (c) if at any time as a result of a permitted transfer of shares, the International Shareholder owns less than 25% of our shares (unless otherwise agreed by the Local Shareholder);
- (d) if the Land Lease terminates due to the end of useful life of our plant and we have been dissolved.

### ***Events of Default***

Each of the following events constitutes an event of default under the Shareholders' Agreement:

- (a) any material breach of the Shareholders' Agreement by a party that remains uncured for 30 days (or if capable of being cured and such cure is diligently pursued, an additional period not to exceed 90 days) after notice is given by the other party; and
- (b) a bankruptcy event of a party or any controlling affiliate thereof (if involuntary, not dismissed or stayed within 90 days).

### ***Consequences of Default***

If the International Shareholder is the non-defaulting shareholder, it will be entitled to require, by notice, the Local Shareholder to purchase all of the International Shareholder's shares and subordinated loans. If the Local Shareholder is the non-defaulting shareholder, it will be entitled, by notice, to purchase all but not less than all of the International Shareholder's shares and subordinated loans.

### ***Purchase Price***

The price of shares purchased by the Local Shareholder as a result of default by either party is the price agreed by the parties within 30 business days of the default notice. If the parties fail to agree on the price, the price is determined by an expert appointed by the parties (or by the ICC International Center for Expertise if the parties fail to agree on an expert, unless either party objects to such appointment, in which case the issue will be submitted to arbitration) taking into account relevant factors such as:

- (a) the prevailing market conditions;
- (b) the relevant percentage of the value of all such shares;
- (c) the value of our net assets; and
- (d) the present value of our future cash flow.

The valuation of shares, however, cannot exceed the amount that would have been payable by the Procurer under the Power and Water Purchase Agreement as Purchase Price C minus the amount thereunder relating to senior debt.

The price of subordinated loans purchased by the Local Shareholder as a result of default by either party is the sum of the outstanding principal amount thereof and all accrued and unpaid interest thereon (net of any withholding, income or other taxes that may or would be assessed or due in connection therewith) as at the date the share transfer to be effected pursuant to a notice from the non-defaulting party to the defaulting party.

### ***Indemnification***

Each party indemnifies the other party and its shareholders, directors, officers, employees, representatives, affiliates (for the benefit of the International Shareholder only), agents, contractors, or licensees and their respective directors, officers and employees (collectively, the "**Indemnified Parties**") from and against all claims made against or suffered by the Indemnified Parties that:

- (a) arise from any misrepresentation, breach of warranty or non-fulfillment of any covenant, undertaking or agreement on the part of the indemnifying party in connection with the Shareholders' Agreement; or
- (b) result from:
  - (i) if the indemnifying party is the International Shareholder, the gross negligence or willful misconduct of the executive managing director; or

- (ii) if the indemnifying party is the Local Shareholder, the willful misconduct of the chairman, in each case in the performance of the powers, authority, duties and responsibilities conferred upon them by our Board of Directors or by law.

If a claim results from the joint or concurrent act or omission of the parties, each party will be liable under the indemnification provisions of the Shareholders' Agreement in proportion to its relative degree of fault.

### ***Governing Law and Dispute Resolution***

The Shareholders' Agreement is governed by and construed in accordance with the Federal Laws and the laws of the Emirate of Abu Dhabi and the Emirate of Fujairah. Disputes that cannot be resolved through negotiation within 30 days from the date on which one party receives notification from the other party that a dispute exists will be subject to resolution by arbitration in the Emirate of Abu Dhabi under the Rules of Arbitration of the International Chamber of Commerce (the "**Rules of the ICC**") by a panel of three arbitrators whose award will be final and binding.

### **Power and Water Purchase Agreement**

The original power and water purchase agreement was entered into as at July 5, 2006 by and between the Procurer and the International Shareholder and was subsequently novated by the International Shareholder to us pursuant to a novation agreement dated September 26, 2006 by and between the Procurer, the International Shareholder and us (the "**Original Power and Water Purchase Agreement**"). An amended and restated version of the Original Power and Water Purchase Agreement (the "**Power and Water Purchase Agreement**" or "**PWPA**") is to become effective from the Closing Date. The water purchase agreement was entered into as at January 15, 2013 between the Procurer and us and relates to the design, construction, installation, testing, commissioning and operation and maintenance of a new RO plant capable of providing 30 MIGD of net water production capacity and other ancillary facilities (the "**New RO Plant**"), on a design, build and operate basis (the "**New RO Project**") (the "**WPA**").

The PWPA consolidates the Original Power and Water Purchase Agreement and the WPA into a single agreement.

### ***Term of Agreement***

The Original Power and Water Purchase Agreement has a term of 20 years which is due to expire in March 2029 and the WPA has a term of 20 years from the New RO Plant Commercial Operation Date. The PWPA will consolidate both agreements and will have a term of 20 years from the New RO Plant Commercial Operation Date.

### ***Implementation of our Project***

In July 2006, the Procurer and the International Shareholder entered into the Original Power and Water Purchase Agreement in respect of the acquisition of the Original Fujairah Plant from Union Water and Electricity Company ("**UWEC**") and the development and construction of the Fujairah Plant Extension to provide, in aggregate, 760 MW of net capacity to the electricity transmission grid of the United Arab Emirates and 100 MIGD of net water production capacity on a buy, build, own and operate basis.

In 2009, the Fujairah Plant Extension was successfully completed and commenced commercial operation in March 2009. The Existing Fujairah Plant has since been owned and operated by us.

On January 15, 2013, we entered into the WPA with the Procurer in respect of the New RO Project. The New RO Plant commenced commercial operation on the New RO Plant Commercial Operation Date.

### ***Project Company's General Obligations***

Our general obligations following the Closing Date include among other things:

- (a) operating, maintaining and repairing our plant in accordance with applicable legal requirements and in a manner consistent with good utility practice, our plant's operating procedures and Transco dispatch instructions subject to the technical limits of our plant, the Transmission Code (Electricity and Water), the provisions of the Power and Water Purchase Agreement, including the environmental standards as set forth in Appendix N, and all other legal requirements relating to pollution control and environmental standards;
- (b) the maintenance of the requisite licenses, consents and governmental authorizations and of its registration with the Fujairah Municipality in accordance with applicable legal requirements; and

- (c) the provision of customary measures to ensure protection and security of our plant and our plant site as required under applicable law or by any governmental instrumentality of the Emirate of Abu Dhabi or the Emirate of Fujairah.

### ***Procurer's General Obligations***

The Procurer's general obligations following the Closing Date include, among other things:

- (a) making or causing to be made available our plant site and associated easements to us by ADWEA in accordance with the provisions of the Land Lease;
- (b) coordinating with us in connection with physical security measures taken by us that directly affect our plant, our plant site and certain other specific areas; and
- (c) causing the Procurer Credit Support issued by ADWEA for and on behalf of the Government of the Emirate of Abu Dhabi in our favor guaranteeing the Procurer's termination payment obligations upon termination and mandatory purchase of our project to be maintained until all such payment obligations are discharged in full.

### ***Gas Supply***

The Procurer is responsible under the Power and Water Purchase Agreement's energy conversion structure for procuring the primary fuel (which is natural gas) from Dolphin as the gas supplier at the Procurer's risk and cost and, with no additional cost to us, delivering the primary fuel to our plant at the gas delivery point as required to generate Net Electrical Energy and produce Net Water Output to the extent that our plant is dispatched by Transco's load despatch center.

We are obligated to procure at our own cost the requisite backup diesel fuel oil for the operation of our plant for seven consecutive days at maximum continuous rating in the following circumstances:

- (a) if gas is not being made available at the gas delivery point;
- (b) if minimum pressure and/or quality of gas at the gas delivery point do not conform with the specifications set forth in the Power and Water Purchase Agreement;
- (c) for regular and functional testing of our plant's backup fuel system, *provided that* the duration of each test does not exceed two hours and the testing is notified to the Procurer four business days in advance and the meter readings are taken at the start and end of each test;
- (d) if gas is being made available at the gas delivery point but not taken by us due to an outage in our plant's gas supply system; or
- (e) for any other reason by mutual agreement with the Procurer.

In the event that backup fuel is utilized by us in circumstances set forth in paragraphs (a), (b), (c) and (e) above, the Procurer is obligated to reimburse the cost of such backup fuel in accordance with the Power and Water Purchase Agreement. In the event that backup fuel is utilized by us in circumstances set forth in (d) above, the Procurer will bear the cost of such backup fuel or the cost of equivalent gas, whichever is less, in accordance with the Power and Water Purchase Agreement.

### ***Non-Conforming Gas***

We have the right to reject gas that does not conform to the fuel specifications set out in the Power and Water Purchase Agreement but must use our reasonable efforts to accept delivery of and utilize non-conforming gas to the extent such use would not damage in any material respect our plant or void any manufacturer's or CSA Contractor's warranty or otherwise have a material adverse economic impact on the operation of our plant or cause us to violate any applicable environmental law. The Procurer will in no event be liable for any damage to our plant arising from the use of non-conforming gas.

### ***Risk of Loss; Title to Gas***

We bear the risk of damage to or loss of gas at all times from and after its delivery to us by the Procurer. Title to all gas remains at all times with the Procurer until such time as such gas is utilized by our plant for generation of electricity or production of water.

### ***Sale and Purchase of Water, Electricity and Net Dependable Capacity***

During the period from the Closing Date up to and including the last day of the term, we must:

- (a) make available to the Procurer, and the Procurer must purchase from us, the net dependable power capacity and the net dependable water capacity; and
- (b) sell to the Procurer, and the Procurer must purchase from us, the Net Electrical Energy and the Net Water Output of our plant, to the extent that our plant is dispatched by Transco's load despatch center.

### ***Net Dependable Capacity Tests***

Net dependable power capacity is the net power capacity in MW of the total plant made available to the Procurer at the output delivery points. Net dependable water capacity is the net potable water capacity in MIGD of the total plant made available to the Procurer downstream of the potable water storage tanks calculated as the difference between the total potable water measured upstream the tanks and the service consumption of our plant measured at the tapping points of the tanks. The net dependable power capacity and net dependable water capacity of our plant are determined pursuant to net dependable capacity tests conducted annually throughout the term or, if required, more frequently at the request of either party in accordance with the provisions of the Power and Water Purchase Agreement.

### ***Deemed Capacity***

In the event we are unable to conduct a net dependable power capacity test or a net dependable water capacity test because of any action or failure to act without justifiable cause by the Procurer, Transco or Dolphin as the gas supplier, or due to any EGAI, then our plant will be deemed to be providing net dependable power capacity or net dependable water capacity equivalent to the contracted power capacity or contracted water capacity, as the case may be, of the relevant contract year. The Procurer will compensate us for such deemed net dependable power capacity or net dependable water capacity, as the case may be, for the period commencing on the date on which the net dependable power capacity test or the net dependable water capacity test would have been completed but for the foregoing events until the date such test has been completed. Contracted power capacity and contracted water capacity are, respectively, the net power capacity (in MW) and the net potable water capacity (in MIGD) of our plant as agreed for each contract year in the Power and Water Purchase Agreement.

If upon such test completion, the net dependable power capacity or the net dependable water capacity is demonstrated to be less than the contracted power capacity or the contracted water capacity, as applicable, then the amounts paid by the Procurer during the deemed period in excess of the amounts that the Procurer would have had to pay if our plant had been deemed to be providing the net dependable power capacity or the net dependable water capacity as so determined by the net dependable power capacity test or the net dependable water capacity test, as applicable, together with interest accrued thereon at the agreed late payment rate, will be credited against future payments to be made by the Procurer to us in the immediately following billing period(s).

### ***Payment Structure***

Appendix G to the Power and Water Purchase Agreement includes agreed capacity and output recovery charge rates and payment calculation procedures to determine amounts to be invoiced by us to the Procurer on a monthly basis. The Power and Water Purchase Agreement payment structure consists of three major components:

- (a) a capacity charge for making the net dependable power and water capacities of our plant available to the Procurer at the agreed levels;
- (b) output charges for Net Electrical Energy and Net Water Output actually delivered by our plant to the Procurer; and
- (c) supplemental charges covering certain project specific adjustments/variations to base case charges/allowances.

### **Capacity Charges**

The Procurer is obligated to pay the capacity charges regardless of the Net Electrical Energy and Net Water Output actually delivered to the Procurer, *provided that* we make our plant available for power generation and water production. The capacity charges are subdivided into two components:

- (a) a base capacity charge intended to cover the capital cost incurred in developing and constructing our plant and certain associated facilities, to repay the senior debt and interest thereon owed to the financing parties, to pay taxes to relevant authorities and to provide an equity return to our shareholders; and
- (b) a fixed operation and maintenance component intended to cover insurance, staff, spare parts and other fixed operating and maintenance costs.

The component of the capacity charges used to cover our senior debt service is based on the cost of funds of the Bonds at a certain level which is provided in the Power and Water Purchase Agreement.

To the extent the final cost of the funds of the Bonds is higher than currently projected, the capital cost recovery charge rate for water as set out in Appendix G to the Power and Water Purchase Agreement will be adjusted upwards prior to the Effective Date in order to preserve the Base Case economics (*i.e.*, the debt service coverage ratio and the shareholder rate of return) as set out herein.

### **Output Charges**

The output charges are paid at an agreed rate per kW hour for electrical energy and dirham per thousand imperial gallons of water actually delivered to the Procurer at the relevant delivery points to cover the variable operating and maintenance costs of electricity generation and water production during the term of the PWPA. The fixed operation and maintenance component and the output charges are adjusted on a periodic basis for inflation based on local and foreign indices.

### **Supplemental Charges**

The supplemental charges provide compensation to us for:

- (a) start-up costs for excess start-ups at the request of Transco's load despatch center;
- (b) "black-start" costs (*i.e.*, costs incurred in connection with the start-up of one gas turbine if our plant is disconnected from the Transmission System);
- (c) costs for the use of backup fuel in case of interruption or reduction of fuel gas supply; and
- (d) insurance adjustment payments in the event we incur actual insurance costs during a contract year that are different from the projected annual insurance costs at the Closing Date by a certain tolerance band to be paid either by the Procurer or by us.

### **Adjustments**

Capacity, output and supplemental charges are adjusted for fluctuation of the U.S. dollar/dirham exchange rate and for inflation (except for the capital cost recovery component of both the power and water capacity charges, as to which inflation indexation is not relevant). In addition, the capacity charges are reduced if the actual net dependable power or water capacities of our plant are less than the contracted capacities and for those hours that our plant is not available or derated. In relation to gas provided by the Procurer, we are entitled:

- (a) to receive payments from the Procurer equal to the savings on gas consumption at the then-prevailing gas price if our plant consumes less gas than at the contracted level (subject to a tolerance band); and
- (b) is obligated to make payments to the Procurer equal to the additional cost of gas consumption at the then-prevailing gas price if our plant consumes more gas than at the contracted level (subject to a tolerance band).

### **Emiratization**

We are obligated to ensure that the minimum percentage of United Arab Emirates nationals employed by us and/or the Operator and/or the DBO Contractor during the Term will be not less than:

- (a) 45% within five years from the Closing Date; and
- (b) 60% within ten years from the Closing Date.

We undertake to provide, or to cause the Operator and the DBO Contractor to provide, at all times during the Term, comprehensive training programs for United Arab Emirates nationals that will enable us to achieve or exceed the minimum percentages of United Arab Emirates nationals employed by us and/or the Operator and/or the DBO Contractor by such target dates.

### ***Insurance***

We, at our sole cost and expense, are obliged to obtain and maintain such insurance policies and coverage as are required by the Federal Laws, the laws of the Emirate of Abu Dhabi and the Emirate of Fujairah, the financing documents, good utility practice and the policies of insurance set forth in the Power and Water Purchase Agreement in the amounts and on the terms set forth in the Power and Water Purchase Agreement, *provided that* such amounts and terms may be changed from time to time with the prior written consent of the Procurer (which shall not be unreasonably withheld).

These policies must provide for at least the following type of insurance coverage terms, subject to the constraints of availability on commercially reasonable terms in the international insurance market at the times such insurance is required to be obtained:

- (a) all risks property/boiler machinery insurance in an amount no less than the maximum foreseeable loss amount of our plant until the expiry of the term;
- (b) comprehensive general liability insurance in an amount equal to a minimum of US\$50,000,000 per occurrence (except in relation to risks such as product liability and completed operational liability and sudden and accidental pollution liability where the amount is US\$50,000,000 annually in the aggregate in accordance with international insurance market practice) until the expiry of the term;
- (c) automobile liability insurance in the amount required under applicable law to be renewed annually until the expiry of the term;
- (d) workmen's compensation insurance in the amount required under applicable law to be renewed annually until the expiry of the term; and
- (e) terrorism asset protection insurance in an amount equal to US\$175,000,000 to be renewed annually until the expiry of the term.

For the duration of the Term and subject to the requirements of the financing documents and any rights or remedies thereunder, we are obligated to apply any and all insurance proceeds received by it in connection with the damage to or loss of our plant and/or associated interfaces toward the repair, reconstruction or replacement of our plant and associated interfaces.

### ***Indemnification***

We indemnify the Procurer, its shareholders, directors, officers, employees and representatives and its agents, contractors or licensees and their respective directors, officers and employees (the "**Procurer Parties**") from claims made against any Procurer Parties:

- (a) for any loss of or damage to property or death or injury to persons (except for worker's compensation claims) resulting from any of our negligent acts or omissions or those of any Project Company Parties that arises out of or is in any manner connected with the performance of the PWPA (except in the case where such loss, damage, injury or death is attributable to the negligence or misconduct of, or breach of the PWPA by, the Procurer or any Procurer Parties or their failure to take reasonable steps in mitigation thereof);
- (b) under every applicable environmental law arising out of the condition of the leased premises, our ownership or operation of our plant (except where such claim results from or arises out of the condition of the leased premises existing prior to July 5, 2006); or
- (c) under any law arising out of our design, construction, testing or commissioning of our plant or the interfaces.

The Procurer indemnifies, defend and hold harmless us, our shareholders, directors, officers, employees and representatives and our agents, contractors or licensees and their respective directors, officers and employees (the “**Project Company Parties**”) from claims made against any Project Company Parties for any loss of or damage to property or death or injury to persons (except for worker’s compensation claims) resulting from any negligent act or omission of the Procurer or any Procurer Parties that arises out of or is in any manner connected with the performance of the PWPA (except in the case where such loss, damage, injury or death is attributable to the negligence or misconduct of, or breach of the PWPA by, us or any Project Company Parties or our or their failure to take reasonable steps in mitigation thereof).

#### ***Force Majeure and Government Action or Inaction***

An event of force majeure or government action or inaction means any circumstance not within the reasonable control, directly or indirectly, of the party affected, but only if and to the extent that such circumstance:

- (a) despite the exercise of reasonable diligence, cannot be prevented, avoided or removed by such party;
- (b) prevents such party from performing its obligations under the PWPA, and such party has taken all reasonable precautions, due care and reasonable alternative measures in order to avoid the effect of such circumstance on such party’s ability to perform its obligations under the PWPA and to mitigate the consequences thereof; and
- (c) is not the direct or indirect result of the breach by such party of any of its obligations under any project agreement,

*provided that* if any Change in Law occurs then we will not be required to satisfy the requirements set out in paragraph (b) in order for such Change in Law to constitute an EGAI.

Events of force majeure or government action or inaction consist of defined events of government action or inaction (each, an “**EGAI**”) and other force majeure events that prevent the affected party from performing its relevant obligations under the Power and Water Purchase Agreement.

EGAI are:

- (a) acts of war (whether declared or not), invasion, armed conflict, act of foreign enemy or blockade, in each case occurring within or involving the United Arab Emirates or the Emirate of Abu Dhabi or the Emirate of Fujairah;
- (b) acts of rebellion, riot, civil commotion, strikes of a political nature, act or campaign of terrorism or sabotage of a political nature, in each case occurring within the United Arab Emirates or the Emirate of Abu Dhabi or the Emirate of Fujairah;
- (c) a change in, repeal of, enactment of, making of, change in the manner of application of or new interpretation of:
  - (i) any decree, resolution, law, statute, act, ordinance, rule, directive (to the extent having the force of law) order, treaty, code or regulation (including any of the foregoing relating to health or safety matters, taxes or any environmental law) as enacted, issued or promulgated by any governmental instrumentality that is publicly available and published in the United Arab Emirates Federal Gazette or the Abu Dhabi Official Gazette or the Fujairah Official Gazette or of which the party to which such law applies has actual knowledge, including amendments, modifications, extensions, replacements or re-enactments thereof);
  - (ii) all authorizations, consents, decrees, permits, waivers, privileges, approvals from and filings with all governmental instrumentalities necessary for the realization and operation of our project in accordance with the project agreements, and shall include the consents; and
  - (iii) other licenses, permits, approvals and agreements, and any injunction or final non-appealable judgment directly applicable to the relevant party, of any governmental instrumentality having jurisdiction over the matter in question (“**Change in Law**”);
- (d) a gas supply force majeure;
- (e) transmission system or water trunk main system force majeure; and

- (f) action or failure to act by a governmental instrumentality of the United Arab Emirates or the Emirate of Abu Dhabi or the Emirate of Fujairah, including, without limitation, any governmental authorization ceasing to remain in full force and effect or not being issued or renewed upon application having been properly made,

*provided that*, as to the circumstances described in paragraphs (a), (b) (other than an act, campaign or circumstance which constitutes an act of terrorism as described in “—*Relevant Uninsured Events*”), (d) and (e), the action or inaction of a governmental instrumentality of the Emirate of Abu Dhabi or the Emirate of Fujairah (and not any other governmental instrumentality) is the controlling or contributing force that caused the occurrence of such event; and *further provided that* any boycott, sanction, embargo, penalty or other restriction imposed directly or indirectly by any foreign government on the United Arab Emirates, the Emirate of Abu Dhabi or the Emirate of Fujairah or on any U.A.E. or non-U.A.E. goods, services, moneys, assets, businesses or persons does not constitute an EGAI.

Force majeure events (“**FME**”) include, among other things:

- (a) lightning, fire, earthquake and other natural calamity or act of God;
- (b) epidemic or plague;
- (c) strikes, works to rule or go slows (other than by employees of the party claiming the same as an FME or of any shareholders of such party or by employees of any direct or indirect affiliate, parent or subsidiary of any shareholder of such party);
- (d) accidents or explosions; and
- (e) gas supply force majeure or transmission system or water trunk mains system force majeure as to which the action or inaction of a government instrumentality of the Emirate of Abu Dhabi or the Emirate of Fujairah is not the controlling or contributing force that caused the occurrence of such event.

#### ***Certain Delays not Excused***

The existence of an EGAI or FME does not excuse:

- (a) a party’s failure to make any payment of money pursuant to its obligations under the PWPA;
- (b) late delivery of equipment, machinery, plant or materials caused by negligent acts or omissions on our part or that of any contractor;
- (c) late performance by us or any contractor caused by our or such contractor’s failure to engage qualified subcontractors and suppliers or to hire an adequate number of personnel or labor;
- (d) mechanical or electrical breakdown or failure of equipment, machinery or plant owned or operated by either party due to the manner in which such equipment, machinery or plant has been operated or maintained;
- (e) failure of either party to perform any of its obligations under the PWPA in accordance with the requirements thereof prior to the occurrence of an EGAI or FME; or
- (f) delays resulting from reasonably foreseeable unfavorable weather or reasonably foreseeable unsuitable ground or sea conditions or other similar reasonably foreseeable adverse conditions.

#### ***EGAI or Force Majeure Events—Effects Generally***

The occurrence of an EGAI or FME will relieve the affected party from its obligations until normal performance can be resumed *provided that* the terms of the Power and Water Purchase Agreement are complied with.

The term of the Power and Water Purchase Agreement will be extended by any period during which we are prevented from performing its material obligations due to an FME, and may be extended at the Procurer’s option by any period of EGAI during which the Procurer has continued to make payment of capacity charges (subject to adjustment of the capacity charges during the extension period).

#### ***Responsibilities of Parties during an EGAI or FME***

To invoke an EGAI or FME as a cause for delay in the performance of any obligation (other than the payment of

money) under the PWPA and/or any claim for costs, a party must advise the other party in writing, within ten days from the date on which such party first had knowledge of the effect of such EGAI or FME, of:

- (a) the date such EGAI or FME commenced;
- (b) the nature and expected duration of such event; and
- (c) the actions to be taken in order to comply with the applicable FME and EGAI requirements of the PWPA.

Failing to deliver such notice will prevent a party from invoking the benefits of the FME and EGAI provisions set out in the PWPA.

The parties must make all reasonable efforts to:

- (a) prevent, minimize and mitigate the effect of any delay caused by any FME or EGAI; and
- (b) ensure resumption of normal performance of the PWPA after the termination of any FME or EGAI and must otherwise perform their obligations under the PWPA to the maximum of their ability.

Within three days following the termination of any FME or EGAI, the party having invoked such FME or EGAI as a cause for delay must submit to the other party reasonable proof of the nature of such delay and its effect upon the performance of the obligations of such party under the PWPA.

With respect to us only, if an EGAI or FME occurs that affects us, such event may be invoked only with respect to any plant unit or other part of our project affected by such project and not with respect to any other plant unit or other part of our project not so affected.

#### ***EGAI or FME—Effects on Capacity and Output Charges***

Under the Power and Water Purchase Agreement, the effects of EGAI and FME vary depending upon the type of event and the identity of the party affected:

- (a) If an FME affects our ability to provide net dependable power and/or water capacities, the Procurer is obligated to pay capacity charges for available net dependable power and water capacities and output charges for Net Electrical Energy and Net Water Output delivered to the Procurer.
- (b) If an EGAI affects our ability to provide net dependable power and/or water capacities, then the Procurer is obligated to pay capacity charges for deemed available net dependable power and/or water capacities as well as output charges for Net Electrical Energy and Net Water Output delivered to the Procurer.
- (c) If an EGAI does not affect our ability to provide net dependable power and/or water capacities, but affects our ability to deliver Net Electrical Energy or Net Water Output, the Procurer is obligated to pay capacity charges for available net dependable power and water capacities and output charges for Net Electrical Energy and Net Water Output delivered to the Procurer.
- (d) If an FME affects the performance of the Procurer's obligations, the Procurer is obligated to pay capacity charges for available net dependable power and water capacities and output charges for Net Electrical Energy and Net Water Output as to which the Procurer is able to take delivery.
- (e) If an EGAI affects the performance of the Procurer's obligations, the Procurer is obligated to pay capacity charges for available net dependable power and water capacities and output charges for Net Electrical Energy and Net Water Output as to which the Procurer is able to take delivery.

#### ***Costs or Savings***

If either party believes that an EGAI has occurred that will result in costs or savings, it must promptly deliver to the other party a notice identifying such event and the net amount of costs or savings that have resulted therefrom, subject to our obligation to minimize such costs and maximize such savings.

Such party may also from time to time deliver additional notices with respect to any such event, identifying additional costs or savings that have resulted or are reasonably expected to result from the event. Any additional notice

must be given within twelve months after the notifying party knew of or should have known of the additional costs or the realization of additional savings.

Within seven days of receipt of such notice, the parties must meet at the offices of the Procurer to discuss the subject matter of the notice. If within fourteen days after the commencement of discussions, either party disputes any of the contents of the notice, the dispute must be submitted to a third-party engineer appointed in accordance with the dispute resolution provisions of the Power and Water Purchase Agreement. The parties must use their best efforts to cause the third-party engineer to render a determination not later than 45 days after being appointed.

To the extent that a claim for costs or savings resulting from the occurrence of an EGAI that is not disputed or has been allowed by the third-party engineer, the appropriate components of the capacity charges or output charges will be adjusted so as:

- (a) to ensure that we have the same net, after-tax economic return as if such costs had not been incurred or such savings had not been realized; and
- (b) to be retroactive to the date upon which such costs were incurred or such savings were realized.

If within 45 days following the allowance of or agreement upon any claim for costs or savings, the parties are unable to agree on the adjustment of the capacity charges or output charges, the dispute regarding such adjustment will be referred to a third-party engineer appointed in accordance with dispute resolution provisions of the Power and Water Purchase Agreement. The parties must use their best efforts to cause the third-party engineer to render his determination not later than 45 days after being appointed.

Neither party is entitled to assert any claim for costs or savings until the aggregate of such party's claims exceeds AED 10,000,000, at which time all such claims may be asserted. Once such claims have been asserted, the same rule applies in respect of future claims.

### ***Events of Termination***

The Power and Water Purchase Agreement sets forth the conditions under which each party has the right to terminate the Power and Water Purchase Agreement.

Relevant project company events of default include:

- (a) the willful and unexcused failure to operate or make available an operable power or desalination unit for more than two consecutive days without written consent of the Procurer;
- (b) the occurrence of any project company bankruptcy events (if involuntary, not stayed or set aside within 60 days);
- (c) the breach of any material obligation (other than any above) under the Power and Water Purchase Agreement which is not remedied within 60 days after notice from the Procurer or, if not capable of being cured within such 60 days, a further 60 days, *provided that* we exercise reasonable continuous efforts to cure such defaults during this further 60-day period; and
- (d) failure of our plant to achieve an average availability of at least 75% of either net dependable power capacity or net dependable water capacity during any rolling 24-month period except to the extent the same is excused as a result of an FME or EGAI.

Relevant Procurer events of default include:

- (a) failure by the Procurer to make any capacity charge or output charge 30 days, or any other payment 60 days, after it has become due and payable;
- (b) termination of the Land Lease or of the right of way for the pipeline assets granted by the Fujairah Municipality through no fault of our own;
- (c) the expropriation or compulsory acquisition of our plant site or our plant (or any material portion thereof) that materially and adversely affects the operation of our plant or any of our material assets or any shares or interest of International Shareholder in us;

- (d) the occurrence of any Procurer bankruptcy events (if involuntary, not stayed or set aside within 60 days);
- (e) the invalidity or termination of the Procurer Credit Support; and
- (f) the material breach:
  - (i) by ADWEA of any of its obligations under the Lease Direct Agreement or the Shareholders' Direct Agreement, or by any governmental instrumentality of any of its obligations under any financing document to which it is a party, which is reasonably likely to materially impair the rights or interests of the financing parties thereunder; or
  - (ii) by a governmental instrumentality of any of its obligations under any of the project agreements to which it is a party, which is reasonably likely to materially impair our ability to perform our obligations under the project agreements or the financing documents,

which, if capable of remedy, is not remedied within the applicable period (if any) specified in such financing document or project agreement,

*provided that*, in the case of any procurer event of default referred to in paragraph (f) above, if, notwithstanding the exercise of reasonable efforts by the Procurer, such default cannot be cured within the applicable period (if any) specified in such financing document or project agreement, the Procurer shall be afforded a further period of 30 days in respect of a payment default, and 60 days in respect of any other default, to cure, or procure the cure of, such default; *provided always that* the Procurer shall throughout such applicable further period exercise reasonable continuous efforts to cure, or procure the cure of, the default.

### ***Consequences of Termination***

Under the Power and Water Purchase Agreement, the consequences of termination vary depending upon which party is the terminating party.

- (a) We are entitled to terminate the Power and Water Purchase Agreement for an unremedied Procurer event of default and to require the Procurer to purchase our project, in which event the Procurer is obligated to do so and to pay Purchase Price C.
- (b) We are entitled to terminate the Power and Water Purchase Agreement for prolonged (*i.e.*, a continuous period of 365 days) EGAI preventing the Procurer to perform its obligations and to require the Procurer to purchase our project, in which event the Procurer is obligated to do so and to pay Purchase Price C; *provided that* if the Procurer elects in such event to continue paying the capacity charges, then we will not have the right to terminate the Power and Water Purchase Agreement.
- (c) The Procurer is entitled to terminate the Power and Water Purchase Agreement for an unremedied project company event of default and in this case can elect (but is not obligated) to purchase our project. If the Procurer elects to do so, then the Procurer is obligated to pay Purchase Price A.
- (d) The Procurer is also entitled to terminate the Power and Water Purchase Agreement for prolonged (*i.e.*, a continuous period of 365 days) FME preventing the Procurer from performing any of its obligations and for prolonged (*i.e.*, a continuous period of 365 days) EGAI preventing either the Procurer from performing any of its obligations or us from operating our plant or delivering Net Electrical Energy or Net Water Output, in which event the Procurer is obligated to purchase our project and pay Purchase Price C.

### ***Timing of Termination***

If a party has the right to terminate the Power and Water Purchase Agreement under paragraphs (a) and (c) above, such party may give a notice to the defaulting party specifying in reasonable detail the relevant event of default and the date (not earlier than 30 days from the date of such notice) on which the party giving the notice proposes to terminate the Power and Water Purchase Agreement. During such period of at least 30 days, the parties must consult to see what steps can be undertaken to mitigate the consequences of, and to cure, the relevant event of default. If, upon the occurrence of such date (except as mutually extended), such event of default has not been cured, the party having given the termination notice may terminate the Power and Water Purchase Agreement by giving written notice to the other party, whereupon the Power and Water Purchase Agreement will terminate on the date specified in such second notice (or such later date as otherwise mutually agreed).

If a party has the right to terminate the Power and Water Purchase Agreement under paragraphs (b) and (d) above, it may give notice to the other party specifying the date (not earlier than 60 days from the date of such notice) on which the party giving such notice proposes to terminate the Power and Water Purchase Agreement and the Power and Water Purchase Agreement will terminate on such date (unless the parties have agreed to extend such date) subject to the satisfaction of any payment or performance obligations.

### ***Payment of Purchase Price***

The purchase price is payable in dirhams on the date of termination concurrently with the transfer of our project to the Procurer free of all liens and encumbrances.

Purchase Price A is an amount equal to:

- (a) senior debt (principal and interest) outstanding;
- minus*
- (b) the greater of:
    - (i) committed equity *minus* invested equity; and
    - (ii) zero.

Purchase Price C is an amount equal to the greater of:

- (a) senior debt (principal and interest) outstanding; and
- (b) the sum of the projected capacity charges (discounted to the termination date at a discount rate of 9% per annum during the period between the termination date and the end of the term calculated based on the average net dependable capacity (not to exceed contracted capacities) and average actual loss of power generation of our plant due to unavailability and derating in the twelve-month period prior to the termination date.

### ***Payment of Termination Costs***

In the event that the Procurer is obligated or otherwise elects to purchase our project following the early termination of the Power and Water Purchase Agreement in the circumstances set forth above, the Procurer is obligated to pay us, in addition to the relevant purchase price, certain termination costs. Termination costs include:

- (a) all taxes and/or other costs imposed on us by any governmental instrumentality as a result of such termination, transfer of right, title and interest in our project to the Procurer and payment of the purchase price therefor;
- (b) any reasonable interest period breakage costs, prepayment premiums and prepayment penalties and interest rate swap and/or breakage costs due to or on behalf of the financing parties to the extent payable under the financing documents or under agreements entered into by us in connection with the financing documents with respect to senior debt, *provided that* any positive payments received by or on behalf of the financing parties as a result of breakage of interest swap and/or hedging arrangements resulting from the termination of the PWPA will be applied to reduce the purchase price payable; and
- (c) any Bond Redemption Amounts payable in respect of the Bonds.

Termination costs (other than interest rate swap, hedging breakage costs and Bond Redemption Amounts) will be borne by us in the event the Power and Water Purchase Agreement is terminated by the Procurer for a project company event of default. In such case, interest rate swap, hedging breakage costs and Bond Redemption Amounts will be borne by the Procurer whereas any positive payment due to or on behalf of us in relation to such interest rate swap and/or hedging breakage by the termination of the Power and Water Purchase Agreement will be applied in reduction of the amount of the relevant purchase price.

All termination costs (including interest rate swap, hedging breakage costs and Bond Redemption Amounts) will be borne by the Procurer in the event the Power and Water Purchase Agreement is terminated:

- (a) by us for a Procurer event of default or for prolonged (*i.e.*, a continuous period of 365 days) EGAI affecting the Procurer and where the Procurer elects not to continue paying the capacity charges; or

- (b) by the Procurer for prolonged (*i.e.*, a continuous period of 365 days) FME affecting the Procurer or for prolonged (*i.e.*, a continuous period of 365 days) EGAI affecting either the Procurer or us (which in our case prevents us from operating our plant or delivering Net Electrical Energy or Net Water Output).

Bond Redemption Amount means an amount equal to:

- (a) the greater of:
- (i) zero; or
  - (ii) the sum of:
    - (A) an amount equal to the sum of the net present values of the then remaining scheduled payments of principal and interest on the bonds on the calculation date (not including any portion of the scheduled payments of interest accrued as at the calculation date), discounted to such calculation date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate for the bonds plus the applicable make whole premium (*i.e.*, 50 basis points); *minus*
    - (B) the sum of:
      - 1. 100% of the outstanding principal amount of the bonds on the calculation date; *plus*
      - 2. all accrued but unpaid interest, if any, thereon up to, but excluding the calculation date; *plus*
- (b) additional amounts payable with respect to the bonds in respect of taxes, if any, up to but excluding the calculation date (“**Bond Redemption Amount**”).

### ***Assignment***

Neither party may sell, assign or otherwise transfer its rights or obligations under the Power and Water Purchase Agreement without the prior written consent of the other party except that:

- (a) the Procurer may at any time during the term assign or otherwise transfer its rights or obligations under the Power and Water Purchase Agreement without our prior consent to any of ADWEA, Abu Dhabi Power Corporation, or Transco, *provided that* we are reasonably satisfied that the proposed assignee is comparable to the Procurer in terms of its ability to become a party and perform its obligations under the Power and Water Purchase Agreement;
- (b) we may assign or create a security interest over our rights and interests under the Power and Water Purchase Agreement, any other project agreement, our project, the leased premises, our moveable and intellectual property or our revenues or any of our rights or assets for the purposes of financing our project; and
- (c) the Procurer consents to the assignment of our rights under the PWPA to the financing parties pursuant to the financing documents and agrees, *inter alia*, to make payments owing from the Procurer to us into a collateral security account.

### ***Governing Law and Dispute Resolution***

The Power and Water Purchase Agreement is governed by and construed in accordance with the Federal Laws and the laws of the Emirate of Abu Dhabi. Disputes that cannot be resolved through negotiation will be subject to resolution by a third-party engineer in the case of technical disputes or by arbitration in the city of Abu Dhabi under the Rules of the ICC by a panel of three arbitrators whose award will be final and binding. If a party is dissatisfied with the decision of the third-party engineer, the decision of the underlying dispute may be settled by arbitration. The decision of a third-party engineer regarding a dispute is final and binding unless written notice of dissatisfaction with the decision is given by one party to the other party, with a copy to the third-party engineer, within 30 days of such party’s receipt of the third-party engineer’s decision, in which event such dispute may be settled by arbitration *provided that* a party commences such arbitration within 60 days from the date of the receipt by a party of the written notice of dissatisfaction. If no arbitration is commenced within 60 days of the issuance of the notice of dissatisfaction, the third-party engineer’s decision will be final and binding upon the parties, notwithstanding the notice of dissatisfaction given by a party.

### ***Relevant Uninsured Events***

Pursuant to the PWPA Direct Agreement entered into on November 21, 2006, as amended and restated on the Closing Date (the “**PWPA Direct Agreement**”) by and between the Procurer, us and the Onshore Security Trustee (as defined in Annex B), the Procurer agrees to provide terrorism back-stop protection for loss or damage upon the occurrence of an act of terrorism occurring on or after the Closing Date resulting in loss or damage incurred by us in relation to our project which would have been covered by terrorism asset protection insurance had we taken out such insurance in accordance with the Term Facility Agreement in the agreed capped cover amount (*i.e.*, US\$175,000,000), but which is not so covered because such insurance was either:

- (a) not available on reasonable commercial terms in the international insurance market on any date such insurance was required to be obtained or renewed; or
- (b) procured by us but was subsequently cancelled, suspended or varied by the relevant insurers and replacement insurance was not available on reasonable commercial terms at that time in the international insurance market such that such insurance no longer complied in all material respects with the procurer capped terrorism asset protection insurance.

If we require the Procurer to provide cover, the Procurer will be entitled to the payment of fees by us in an amount per annum equal to the full amount of the relevant annual cost saving (if any) by us with respect to the stipulated projected annual insurance cost for terrorism asset protection insurance of AED 1,836,210 per annum. Notwithstanding such payment obligation, we shall at all times be obliged at all times to obtain or reinstate terrorism asset protection insurance complying to the fullest extent possible with the insurance and reinsurance requirements under the Term Facility Agreement as soon as reasonably practicable after such insurance becomes available on reasonable commercial terms in the international insurance market.

If a relevant uninsured event occurs, then the Procurer is obligated to pay us (following a specified determination process), within 30 days of demand by us, an amount equal to the insurance proceeds that could reasonably be expected to have been payable in the international insurance market for loss or damage caused by an act of terrorism relating to our project had the adequate insurance been in force, less any insurance proceeds recoverable by us pursuant to any insurance providing cover for loss or damage arising from an act of terrorism relating to our project *provided that* in respect of each contract year the maximum liability of the Procurer shall be an aggregate limit for each contract year equal to US\$175,000,000.

### ***PWPA Direct Agreement***

Pursuant to the PWPA Direct Agreement, the PWPA shall, for all purposes, be interpreted and construed so as to give effect to the following principles, such principles reflecting the mutually accepted commercial understanding of the Procurer and us upon entering into the PWPA:

- (a) the reduction in the amount of the capacity charges payable by the Procurer to us pursuant to Appendix G to the PWPA shall constitute our sole liability and the sole remedy available to the Procurer with respect to a failure by us to make available to the Procurer the net dependable power capacity or the net dependable water capacity at any time;
- (b) the Procurer and us have pursuant to the PWPA entered into a long-term contractual relationship for the sale and purchase of water and electricity with the object of achieving security of supply and security of price. The Procurer understands that such venture has been financed on a project finance basis and is thereby dependent on the certainty of the revenue stream to us under the PWPA to maintain such financing structure. Both the Procurer and us intend the PWPA to provide a contractual basis for addressing the impact of unforeseen events or circumstances of a general nature beyond their control upon their respective obligations under the PWPA and that for either party to seek alternative or additional relief from these obligations in such circumstances under any applicable law is likely to adversely affect or otherwise prejudice the commercial and economic position of the other party with respect to our project;
- (c) the termination provisions as described above are the sole and exclusive grounds upon which either party to the PWPA is entitled to terminate the PWPA;
- (d) the Procurer acknowledges, confirms and agrees that, notwithstanding any provision of the PWPA which may be susceptible to interpretation to the contrary, the transfer of legal title to our plant or any part thereof by us to a Finance Party pursuant to the Finance Documents shall not constitute a breach by us of any representation, warranty, undertaking, covenant or other obligation in the PWPA, and shall not in any way limit or restrict the

rights, obligations or liabilities of the parties under the PWPA, and the Procurer shall be entitled at all times to act towards, and deal with, us as if we were the sole legal owner of our plant and each part thereof; and

- (e) the Procurer consents and agrees in favor of the Onshore Security Trustee, for and on behalf of the Finance Parties, that in the event that we are delayed in the performance of any of our obligations under the PWPA by an EGAI or FME but fail to deliver notice of our intention to invoke the benefits of the PWPA, as required therein, then the Onshore Security Trustee shall be permitted to serve such notice on our behalf and the Procurer shall accept service of such notice at any time. If such notice is served by the Onshore Security Trustee within the time period specified in the PWPA, we shall be entitled to invoke such benefits for any delay in performance from the commencement of the FME or EGAI. If such notice is served by the Onshore Security Trustee after the expiry of the time period specified in the PWPA, we shall only be entitled to invoke such benefits for any delay in performance from the date of receipt of such notice by the Procurer.

### **Procurer Credit Support**

The Government of the Emirate of Abu Dhabi provided the Procurer Credit Support in our favor on November 22, 2006, an amended and restated version of which is to become effective from and after the Closing Date.

Pursuant to the terms of the Procurer Credit Support, ADWEA for and on behalf of the Government of the Emirate of Abu Dhabi (the “**Guarantor**”) guarantees to pay us, within fourteen days following our demand, any and every sum of money which the Procurer has agreed to pay us, or has been held liable to pay us, pursuant to the final and binding arbitral award rendered in accordance with the arbitration provisions of the Power and Water Purchase Agreement, as the purchase price for our project if the Power and Water Purchase Agreement has been terminated:

- (a) by us, due to an unremedied Procurer event of default and the we have exercised our right to require the Procurer to purchase our project;
- (b) by us, due to a prolonged EGAI affecting the Procurer and we have exercised our right to require the Procurer to purchase our project;
- (c) by the Procurer, due to a prolonged FME affecting the Procurer;
- (d) by the Procurer, due to a prolonged EGAI affecting the Procurer; and
- (e) by the Procurer, due to a prolonged EGAI affecting us.

We are entitled to make a demand for payment upon the Guarantor under the Procurer Credit Support if the Procurer has failed to pay such guaranteed obligations within fourteen days of the due date for payment thereof.

The Guarantor waives for itself and its assets and revenues to the extent permitted by applicable law any and all immunity from suit, execution or other legal process.

The Procurer Credit Support is governed by and construed in accordance with the Federal Laws and the laws of the Emirate of Abu Dhabi.

### **Land Lease**

The Land Lease was entered into on September 26, 2006 by and between ADWEA as grantor and ground lessor, and us as grantee and ground lessee, an amended and restated version of which is to become effective from and after the Closing Date.

### ***Leasehold and Easements***

Under the Land Lease, we have been granted by ADWEA a lease of the land comprising the leased premises on our plant site, which is owned by ADWEA, as specifically described in the Land Lease. We have also been granted non-exclusive easements and rights of way for access to such land, use of certain utility facilities (*i.e.*, providing for the furnishing of, or disposal of, as the case may be, potable water, service water, sewage, storm and surface water runoff, natural gas, electricity, telecommunications services and other utilities and services) for our use solely in connection with the ownership, operation, inspection, maintenance, repair and business of our plant during the term of the Land Lease and in connection with the removal of our plant after the expiration or earlier termination of the Land Lease. We have also been granted a non-exclusive easement and right of way to allow ELNG to access certain roads through our site for the purpose of ingress and egress from a site adjacent to our site on which ELNG is developing a liquefied natural gas

regasification facility in accordance with the terms of an access road agreement to be entered into by us, ELNG and the Fujairah Municipality. It is expected that the access road agreement will be executed once such project is further developed.

### ***Term***

The Land Lease will become effective on the Closing Date. The term is 32 years, commencing as at September 26, 2006 and expiring on September 30, 2038 and is renewable automatically for one-year periods for the remaining useful life of our plant, absent 180 days' notice by us not to renew and unless terminated earlier. The Land Lease may be terminated earlier:

- (a) by mutual agreement;
- (b) by ADWEA upon the occurrence of a project company event of default;
- (c) by us upon the occurrence of an ADWEA event of default;
- (d) as a result of complete destruction or a degree of damage to our plant such that we elect not to rebuild and/or restore our plant; and
- (e) upon the demolition and removal of our plant.

### ***Rent***

The leased premises are leased, and the land easements are provided, to us at a nominal basic rent amount of AED 1.00 per annum payable in advance. We are also required to pay to ADWEA or any person entitled to receive the same, any other amounts payable under the Land Lease as and when they become due.

### ***Reservation of Rights***

The grant and lease of the leased premises by ADWEA to us is under and subject to certain exclusions (such as the exclusion from the Land Lease of the Transco areas and assets and the gas supplier areas and assets) and reservations for the benefit of, among others, ADWEA and its successors and assigns *provided that* any such reservations will not cause damage to or materially interfere with our ownership, operation and maintenance of our plant (including, among others:

- (a) ADWEA's right, title and interest in and to oil, gas and other minerals in, on and under the leased premises;
- (b) easements and rights of way for the purposes of exercising any of ADWEA's rights and performing any of its obligations under our project agreements;
- (c) easements and rights of way for installing, maintaining and repairing any utilities or equipment installed or to be installed by ADWEA in accordance with the Land Lease; and
- (d) the right to relocate any of these landlord reservations, *provided that* the relocation does not have a material adverse effect on our plant and ADWEA pays all reasonable and direct costs incurred in connection with such relocation).

### ***Conditions of the Leased Premises; Warranty as to Use***

ADWEA does not make any representations or warranty as to the location, geological, hydrological, physical or environmental condition in, on or under, or the state of repair of, the leased premises or the landlord reservations or the land easements and the easement facilities and we accept the leased premises taking into account the landlord reservations "as is where is" without having relied on any of the above-mentioned representations and warranties.

ADWEA warrants that the use of the leased premises and the land easements by us, as contemplated by the Land Lease and the Power and Water Purchase Agreement, will not violate any restrictions, reservations or laws in relation to the leased premises and the land easements and ADWEA warrants that no third parties will have rights, easements or reservations in relation to the leased premises other than as expressly provided in the Land Lease.

### ***Access and Inspection***

We are obligated to permit ADWEA and its representatives and designees to enter the leased premises, our plant or any part of either at any time for the purpose of inspecting the same to, among other things, monitor, sample or otherwise investigate the nature and volume of discharges or other emissions, ensure that any interconnection to any utilities system is not adversely affecting, or will not adversely affect, such system, to assure our compliance with the Land Lease and to permit ADWEA to comply with its obligations under the Land Lease and other project agreements.

### ***Mechanics' Liens***

We are obligated not to permit the creation of any mechanics', laborers' or materialmen's lien against any property or improvements of ADWEA and must indemnify, defend and hold harmless ADWEA from and against all such land lease liens. We must indemnify ADWEA from and against any claims and land lease liens and other liabilities of whatsoever nature, including related expenses and reasonable attorneys' fees, arising out of the services, labor and materials furnished to or on our behalf by our contractors or subcontractors. In the event such claim or land lease lien is established or attempted to be established, we will:

- (a) if the land lease lien is established, promptly, and in any case within five business days, have such claim or land lease lien removed by posting a payment bond issued by a U.A.E. licensed bank or provide any other security; or
- (b) if the land lease lien is not established, prevent the establishment thereof.

If we have not removed or prevented the establishment of the land lease lien, we must contest the validity or amount of such claim or land lease lien and must give to ADWEA a payment bond or any other form of security to ensure payment thereof.

### ***Damage and Restoration***

In the event our plant is damaged or destroyed, we must make a good faith determination, as soon as practicable but no later than the date of receipt of all insurance proceeds or other amounts actually received on account of an event of loss (except proceeds of business interruption insurance) (the "**Casualty Proceeds**"), whether our plant, or the portion thereof affected by the event of loss, can be rebuilt, repaired and/or restored on a commercially feasible basis and whether the Casualty Proceeds and any other amounts available to us for such rebuilding, repair and/or restoration are sufficient to permit such rebuilding, repair and/or restoration.

If we determine that our plant is incapable of being rebuilt, repaired and/or restored or that the Casualty Proceeds, together with any other amounts available to us, are not sufficient to permit such rebuilding, repair and/or restoration, then any Casualty Proceeds received by us must be applied in the following order of priority:

- (a) to the demolition and removal of our plant and any residual wastes from the leased premises, the filling of all excavations and the returning of the surface to grade;
- (b) to the payment of any rent in arrears, if any, and due for the next succeeding year; and
- (c) to us or our successors or assigns or whomever entitled to receive the same.

If we determine that a portion of our plant can be rebuilt, repaired and/or restored and that the Casualty Proceeds, together with any additional amounts received by us for such rebuilding, repair and/or restoration, are sufficient to permit such rebuilding, repair and/or restoration then an amount equal to the estimate of the total cost of such rebuilding, repair and/or restoration must be deposited into a segregated restoration account and any surplus amounts must be distributed in accordance with paragraphs (a) to (c) above.

If our plant is completely destroyed or so damaged that we elect not to repair, rebuild and/or restore our plant, we may terminate the Land Lease by giving ADWEA a notice of termination within 90 days of the event of loss. Despite termination, we must still demolish and remove our plant and any residual wastes and debris from the leased premises, fill all excavations and return the surface to grade. The amounts due and payable by us to ADWEA under the Land Lease are prorated as at the date of termination until the completion of demolition.

If we determine that our plant can be repaired, we must set forth a reasonable good faith estimate of the total cost of such repair. If the financing documents are in effect when the event of loss occurs, their provisions govern the rebuilding, repair and/or restoration of our plant. If the financing documents are not in effect but the Power and Water

Purchase Agreement is in effect, we must rebuild, repair and/or restore our plant using all Casualty Proceeds and any other amounts available for such rebuilding, repair and/or restoration and must deposit all Casualty Proceeds into a segregated restoration account to be applied toward the costs of rebuilding, repairing and/or restoring our plant or any part thereof that has been affected by the event of loss. Notwithstanding any of the provisions above, if the Casualty Proceeds received by us do not exceed in the aggregate AED 200,000,000, we will not have an obligation to determine whether our plant can be repaired or to develop a good faith estimate of the cost of such repair and must deposit the amounts in the restoration account. We must disburse from the restoration account amounts required for the rebuilding, repair and/or restoration of our plant and we must keep adequate records pertaining to such disbursements and file an accounting with ADWEA upon a 30-day demand. In addition, we must diligently pursue all our rights to compensation against any person with respect to the event of loss and compromise or settle any claim against any such person.

### ***Environmental Compliance and Environmental Matters***

We must comply with, and cause our affiliates, agents, contractors, servants, employees and licensees (the “**F1 Project Company Parties**”), to comply with, all environmental laws directly or indirectly affecting, among other things, the construction, operation, maintenance, repair, reconstruction and removal of our plant or the use or occupancy of the leased premises, land easements, easement facilities and our plant. We must not, and must not permit any F1 Project Company Parties, to use the leased premises, land easements, easement facilities or our plant to treat, store or dispose of hazardous materials except where in compliance with applicable law, or:

- (a) where stored in containers and in quantities normally associated with the construction, installation, startup, operation, maintenance, repair, reconstruction, restoration or removal of our plant;
- (b) as normally and customarily used in connection with the construction, installation, startup, operation, maintenance, repair, reconstruction, restoration or removal of our plant; or
- (c) for routine office maintenance and cleaning.

In connection with all permitted uses above, we must ensure that this is done in compliance with all applicable environmental laws, which includes:

- (a) the completion and filing of all permit applications (if any such permits are required to be solely in our name), reports and statements required by any environmental laws;
- (b) the payment of all charges, fees and costs in connection with such permits;
- (c) the timely disclosure to ADWEA of any information required by any environmental laws; and
- (d) the prompt remediation and disposal of all hazardous materials used, generated or released in the performance of the construction, installation, startup, operation, maintenance, repair, reconstruction, restoration or removal of our plant.

### ***Indemnification***

We indemnify ADWEA and its officials, employees and representatives and its agents, contractors, or licensees and their respective directors, officers and employees and Transco and its officers, directors and employees (the “**Authority Parties**”) from all claims arising from:

- (a) the violation or alleged violation of any environmental law by us or any of the F1 Project Company Parties (except if such claim results from the condition of the leased premises existing prior to July 5, 2006);
- (b) any injury to persons or damage to property that results from our negligent acts or omissions or those of the F1 Project Company Parties;
- (c) unlawful use, presence, disposal, storage, treatment, transportation, generation, release or threatened release of hazardous materials; and/or
- (d) breach of provisions of the Land Lease relating to environmental compliance matters.

ADWEA indemnifies us and the F1 Project Company Parties from all claims arising from:

- (a) violations of any environmental law occurring at the leased premises or related to our plant, to the extent any such claim arises from the condition of the leased premises existing prior to July 5, 2006; and
- (b) the exercise by ADWEA or any of the Authority Parties of any of its reserved rights.

### ***Events of Default and Remedies***

The following events constitute an event of default on our part under the Land Lease:

- (a) failure to pay rent within 60 days after the date due or any other amounts to be paid within 60 days of notice from ADWEA; and
- (b) a breach of a material term under the Land Lease that has been notified by ADWEA but remains uncured for 90 days (or 180 days if the breach cannot be cured within 90 days but we are diligently pursuing cure within that period).

An event of default by us entitles ADWEA to:

- (a) terminate the Land Lease by giving a notice of termination; and
- (b) exercise any other right or remedy it may have at law or in equity on account of such default.

If ADWEA elects to terminate, the earlier termination date will be the date specified in ADWEA's notice of termination. Any time after early termination, ADWEA or its officials, employees, agents or representatives may, unless prevented by court or law, re-enter the leased premises and the land easements, remove all persons and property therefrom, and repossess and enjoy the leased premises and land easements together with our plant and the easement facilities and all modifications made to our plant during the term of the Land Lease.

Whether or not the leased premises or our plant or any part thereof have been re-let, we must pay to ADWEA all amounts due and owing under the Land Lease up to the earlier termination date. If a project company event of default occurs and is continuing, ADWEA has the option to, upon ten business days' notice to us, cure such event of default with a right of reimbursement for costs (including interest thereon at the late payment rate from the date such cost is incurred by ADWEA until the day it is reimbursed by us) from us.

Failure by ADWEA:

- (a) to pay any amount due under the Land Lease within 60 days of written notice from us; or
- (b) to cure a breach of a material term under the Land Lease within 90 days of notice from us (or 180 days if breach may not be cured in 90 days and ADWEA is diligently pursuing the cure) constitutes an event of default on the part of ADWEA, which entitles us to terminate the Land Lease by giving notice of termination and exercise any other right or remedy permitted by law or in equity. If we elect to terminate, the earlier termination date will be the date specified in our notice of termination.

### ***Surrender of Leased Premises; Demolition***

Upon the expiration or early termination of the Land Lease, whichever occurs first, we must surrender the leased premises (and thereby the land easements and the easement facilities) to ADWEA without delay, free and clear of all tenancies, occupancies and liens.

If at such time, the Procurer has not purchased our plant, we, at our sole cost and expense, must demolish and remove our plant and any residual waste from the leased premises, fill all excavations and return the surface to grade. This work must be completed within 365 days following the date on which the term of the Land Lease would have ended. If necessary, the term of the Land Lease may be extended until such demolition is complete. During this period, our obligation to pay rent continues to apply. We are liable to ADWEA for any damage to the easement facilities arising as a result of the removal of our plant from the leased premises.

### ***Governing Law and Dispute Resolution***

The Land Lease is governed by and construed in accordance with the Federal Laws and the laws of the Emirate of Fujairah.

Disputes that cannot be resolved through negotiation will be subject to resolution by a third-party engineer in the case of technical disputes or by arbitration in the city of Abu Dhabi under the Rules of the ICC by a panel of three arbitrators whose award will be final and binding. The decision of a third-party engineer regarding a dispute is final and binding unless written notice of dissatisfaction with the decision is given by one party to the other party, with a copy to the third-party engineer, within 30 days of such party's receipt of the third-party engineer's decision, in which event such dispute may be settled by arbitration *provided that* a party commences such arbitration within 60 days from the date of the receipt by a party of the written notice of dissatisfaction. If no arbitration is commenced within 60 days of the issuance of the notice of dissatisfaction, the third-party engineer's decision will be final and binding upon the parties, notwithstanding the notice of dissatisfaction given by a party.

### **Operation and Maintenance Agreement**

The operation and maintenance agreement was entered into as at September 26, 2006, by and between us, as owner, and the Operator, an amended and restated version of which is to become effective from and after the Closing Date (the "**Operation and Maintenance Agreement**" or "**O&M Agreement**").

#### ***Term***

The term of the Operation and Maintenance Agreement shall commence on the Closing Date and will expire on the date of the 20<sup>th</sup> anniversary of the New RO Plant Commercial Operation Date (*i.e.*, until December 1, 2035), unless terminated earlier in accordance with the provisions of the Operation and Maintenance Agreement, *provided that* if the term of the Power and Water Purchase Agreement is extended pursuant to the terms thereof, then the term of the Operation and Maintenance Agreement will be extended accordingly.

#### ***Operation and Maintenance Services and Periods***

The Operator agrees to provide to us all operation, maintenance and repair services necessary or advisable to safely, dependably and efficiently operate, maintain and repair our plant as contemplated in the Operation and Maintenance Agreement and the other project agreements.

#### ***Transfer and Assumption of Responsibility***

The Operator is responsible for the operation and maintenance of our plant from the day following the Closing Date. The Operator will take over care, custody and control from the DBO Contractor, and will be responsible for the operation and maintenance of the New RO Plant on the New RO Plant Handover Date, being the date of expiration or early termination of the DBO Agreement.

From the New RO Plant Handover Date, we will assign our rights under the DBO Agreement and our associated rights under the Performance Bond and Handback Bond to the Operator, save that if such rights in respect of the Performance Bond and the Handback Bond cannot be assigned to the Operator, we agree to exercise our rights thereunder on behalf of the Operator.

#### ***Operating Period Services***

During the term of the O&M Agreement (*i.e.*, until December 1, 2035), the Operator is responsible for providing services which include, for example:

- (a) operating and maintaining our plant on a seven-day, 24-hour per day basis;
- (b) scheduling and coordinating deliveries of gas and backup fuel, and coordinating and managing the procurement, storage and stockpiling of backup fuel;
- (c) preparing for approval by ADWEA and implementing the training and development philosophy for all staff;
- (d) preparing the long-term operating plan and the annual operating budget for our plant;
- (e) preparing equipment log sheets, fault and outage reports, plant performance reports, consumable materials reports, work order systems, and tag-out documents and timely notifying us of any changes in availability and performance of our plant;
- (f) maintaining a document control system and an inventory control system;

- (g) assisting us in obtaining and renewing project licenses and permits;
- (h) treating and disposing of all waste (hazardous materials, oils, chemical and trash);
- (i) monitoring and recording our plant's emissions and discharges;
- (j) testing, in cooperation with the DBO Contractor, the performance of our plant on our behalf and the requirements of any applicable project agreements, including net dependable capacity tests in accordance with the PWPA;
- (k) carrying out the long-term maintenance planning (including scheduling outages and spare parts planning) for our plant;
- (l) planning, managing and executing all planned outages and scheduled maintenance;
- (m) providing a monthly and annual report on plant performance, incidents, failures and the general operation of our plant;
- (n) providing us with all and any data it requires for preparation of monthly invoices for power and water deliveries in accordance with the provisions of the Operation and Maintenance Agreement;
- (o) reviewing, verifying and paying invoices to suppliers/vendors for equipment and consumables;
- (p) maintaining accurate books, records and accounts of our plant;
- (q) performing all unscheduled maintenance in accordance with the provisions of the Operation and Maintenance Agreement;
- (r) procuring, paying and maintaining in effect all the insurance coverage and policies required to be maintained by the Operator;
- (s) carrying out, at our request, backup fuel testing as required under the Power and Water Purchase Agreement;
- (t) providing continuous electricity and treated seawater at such time and in such manner to allow the DBO Contractor to perform the New RO Plant services;
- (u) cooperating with and providing such assistance to the DBO Contractor as may be reasonably required by us and/or the DBO Contractor in relation to the DBO Agreement; and
- (v) from the New RO Plant Handover Date only, carrying out normalization calculations in regard to performance of all RO membrane sections on a continuous basis.

### *Standards of Performance*

The Operator is required to perform all services in accordance with the standards and requirements contained in the O&M Agreement, including:

- (a) good utility practice;
- (b) the relevant requirements of the Power and Water Purchase Agreement, including the operating procedures and dispatch instructions, subject to the technical limits of our plant and in accordance with the Transmission Code and all other project agreements;
- (c) applicable annual operating budget and long-term operating plan;
- (d) the recommendations and requirements of any warranties and guarantees existing in relation to our plant, equipment, material or work provided or procured by the CSA Contractor and, from the date of expiration or early termination of the DBO Agreement (the "**New RO Plant Handover Date**"), the DBO Contractor and the Membrane Supplier;

- (e) any:
  - (i) applicable decree, resolution, law, statute, act, ordinance, rule, directive (to the extent having the force of law), order, treaty, code or regulation (including any of the foregoing relating to health or safety matters or any environmental law) or any interpretation of the foregoing, as enacted, issued or promulgated by any governmental instrumentality that is publicly available and published in the United Arab Emirates Federal Gazette or the Abu Dhabi Official Gazette or the Fujairah Official Gazette or of which the party to which such law applies has actual knowledge, including amendments, modifications, extensions, replacements or re-enactments thereof;
  - (ii) authorizations, consents, decrees, permits, waivers, privileges, approvals from and filings with all governmental instrumentalities necessary for the operation and maintenance of our project in accordance with the Operation and Maintenance Agreement; and
  - (iii) other licenses, permits, approvals and agreements, and any injunction or final non-appealable judgment directly applicable to the relevant party, of any governmental instrumentality having jurisdiction over the matter in question;
- (f) general labor conditions to the extent they apply;
- (g) relevant suppliers' and manufacturers' written notifications or requirements including plant equipment manuals;
- (h) measures so as to avoid or minimize any forced outage or forced derating and so as to optimize planned outages and planned deratings;
- (i) measures so as to produce the lowest heat rate and highest efficiency of our plant and so as to optimize the overall operating and maintenance costs (including fuel and inventory costs);
- (j) measures so as to optimize the useful life of our plant, minimize downtime for repairs and maximize the net revenues payable to us pursuant to the Power and Water Purchase Agreement; and
- (k) the requirements of the insurance and reinsurance policies maintained either on behalf of the Operator or on our behalf.

### ***O&M Personnel***

The Operator is responsible for hiring, training, instructing and managing the staff necessary to operate, maintain and repair our plant in accordance with the O&M Agreement and the relevant staffing plan and such staff must be on duty at our plant on a seven-day, 24-hour per day basis. If the Operator wishes to materially amend or revise the existing staffing plan, it may prepare, submit and negotiate with us a proposed staffing plan. If we reject the proposed staffing plan in accordance with the provisions of the O&M Agreement then the staffing plan most recently accepted by us will remain in effect.

The Operator is responsible for appointing a plant manager who is authorized to act as the agent for the Operator on all matters concerning the Operation and Maintenance Agreement and the Operator's obligations thereunder. The Operator is bound by all communications, directions, requests and decisions issued by our plant manager. Our plant manager holds a key position and may not be appointed, have his role altered, or be removed or replaced, without our prior written approval (such approval not to be unreasonably withheld or delayed). Our plant manager is responsible for the appointment of qualified individuals to other key positions. Such individuals must, among other things:

- (a) be directly employed by (or seconded to) the Operator or employed by us; and
- (b) give substantially the whole of their time to the administration of the Operator's services.

The appointment of any staff to a key position is subject to our approval (such approval not to be unreasonably withheld or delayed). The Operator cannot:

- (a) unilaterally terminate or materially alter the scope of the employment contract of any person appointed to a key position without our prior written approval (such approval not to be unreasonably withheld or delayed) (except in circumstances where immediate dismissal is warranted); or
- (b) adjust the structure of the key positions without our consent (not to be unreasonably withheld or delayed).

We are entitled to request the Operator to remove a member of the staff from the performance of the services for cause, *i.e.*:

- (a) failure to substantially perform employment duties;
- (b) willful conduct injurious to our interest; or
- (c) breach of any legal requirement applicable to us, the Operator or the leased premises.

The Operator must comply with such requests as soon as practicable.

### ***Emiratization***

The Operator must ensure that the minimum number of United Arab Emirates nationals who are employed by it increases throughout the operation and maintenance term in accordance with the requirement thresholds specified in the PWPA.

### ***Subcontracts***

The Operator may subcontract any portion, but not all, of the services it is required to perform with a qualified and experienced subcontractor. A subcontract (or any series of contracts) with a single subcontractor with an aggregate value in excess of US\$1 million or subcontracts which in the aggregate have a value in excess of US\$5 million require our prior consent. The Operator must use its best efforts to procure that subcontracts are assignable to us or any successor operator in the event of a change in the operator of our plant for any reason. At the expiry of the O&M Agreement or the early termination thereof, the Operator must assign to us its rights and obligations under any assignable subcontract relating to the performance of the Operator's services.

The Operator has entered into the Contractual Services Agreement with the CSA Contractor. If at any time, the Operator enters into negotiations so as to extend the Contractual Services Agreement or enter into any new one, the Operator must keep us informed of the progress of such negotiations and, following the conclusion of such negotiations, send us the agreed form of the new and/or amended Contractual Services Agreement. We have fourteen days to review such agreed form and unless we inform the Operator that the terms of the new and/or amended Contractual Services Agreement would materially affect the ability of the Operator to perform its obligations under the O&M Agreement, in which case must meet with the Operator to try and amend the new and/or amended Contractual Services Agreement to our reasonable satisfaction, the Operator can, at the end of the fourteen-day period, execute the new and/or amended Contractual Services Agreement. The new and/or amended Contractual Services Agreement cannot be terminated without our consent.

### ***Annual Operating Budget and Long-Term Operating Plan***

At least 90 days prior to the commencement of each contract year, the Operator must submit to us an annual operating budget and a long-term operating plan with respect to the following six contract years.

For each contract year during the Cost Pass Through Operating Period, we must indicate in writing our approval, disapproval or modifications to the annual operating budget and the long-term operating plan within 30 days of its submission and, in the event of disapproval, the parties must meet to try and resolve any areas of disagreement. If the parties are unable to resolve such disagreement, the dispute must be referred to a third-party engineer in accordance with the O&M Agreement's dispute resolution provisions. Pending resolution of such dispute, the parties must continue to perform their respective obligations as closely as it is practical on the basis of the annual operating budget or long-term operating plan most recently approved by the parties, which in the case of the annual operating budget will be adjusted for indexation against the preceding contract year.

The annual operating budget or long-term operating plan as finally determined by the third-party engineer will be deemed approved by the parties.

### ***Additional Services***

Either we or the Operator may from time to time request in writing services which are additional to the services provided by the Operator under the Operation and Maintenance Agreement or by any subcontractor under its subcontract (the "**Additional Services**") together with an additional services order detailing such Additional Services and any additional costs to be paid to or reimbursed by the Operator (the "**Additional Costs**"). Within fourteen days of such a request from either party, the Operator must supply in writing to us:

- (a) confirmation that the activities requested are Additional Services (including analysis supporting such confirmation);
- (b) full details of the intended manner of performance of the Additional Services and their impact on the other services provided by the Operator;
- (c) accurate costing of the consequential increase or decrease of amounts payable to the Operator; and
- (d) confirmation, *inter alia*, as to whether the Operator is able and qualified to perform the Additional Services.

If the total aggregate costs (including all fees, expenses and taxes) of the performance of the requested Additional Services when added to the aggregate cost (including all fees, expenses and taxes) of all of the Additional Services agreed upon during the contract year in which the request is issued is less than US\$25,000, and, in the case of a request made by the Operator, we agree to such Additional Services being performed, then the Additional Services shall be carried out by the Operator in accordance with the estimate provided pursuant to the paragraph above.

If the total aggregate costs (including all fees, expenses and taxes) of the performance of the requested Additional Services when added to the aggregate cost (including all fees, expenses and taxes) of all of the Additional Services agreed upon during the contract year in which the request is issued exceed US\$25,000, then we may accept the Operator's estimate or obtain an estimate from a third-party and must notify the Operator of our decision within 60 days of receipt of the Operator's estimate. The Operator has the right to match any third-party estimate and to the extent we decide in our absolute discretion to proceed with the Additional Services, we are obligated to accept the Operator's revised estimate within fourteen days of receipt of such revised estimate and the Operator will proceed with the performance of the Additional Services in accordance with the revised estimate. If the Operator does not match the third-party estimate, we can engage the third party to carry out the Additional Services.

***Cooperation with the DBO Contractor; Non-Interference***

The Operator must, and must procure that any subcontractors must, cooperate with and provide such assistance to the DBO Contractor as may be reasonably required by us or the DBO Contractor in relation to the DBO Agreement.

The Operator must ensure that its performance of the services does not interfere with the services being provided by, or the activities of, the DBO Contractor under the DBO Agreement. The Operator must, in accordance with good utility practice, coordinate the performance of its obligations under the Operation and Maintenance Agreement with the DBO Contractor performing any service or activity under the DBO Agreement.

***Project Company's Obligations***

We are obligated to supply to the Operator at our own cost and expense the information, labor, services, materials and other items set forth in the Operation and Maintenance Agreement at such times and in such manner as may be reasonably required for the performance of the services by the Operator but only for so long as the Parent Guarantee and each of our project agreements are in full force and effect.

Our obligations include, among other things:

- (a) making available at our own cost for use by the Operator our plant spares, consumable stocks and general spares relating to our plant owned by us as at the Closing Date;
- (b) providing to the Operator all technical and operational information in our possession including maintenance manuals;
- (c) providing to the Operator and its subcontractors access to our plant and the leased premises for the performance of the services and the Additional Services;
- (d) making available to the Operator, its staff and subcontractors, to enable them to perform the services, among other things, permanent office space, warehousing, control rooms, maintenance shops, laboratories, first aid and fire-fighting equipment and services and security and safety systems;
- (e) procuring and maintaining in effect at our own expense all project permits necessary to operate and maintain our plant and our project agreements and any additions, amendments, modifications, supplements or replacements thereto and providing the Operator with copies of the same within 30 days following execution and delivery or issuance thereof;

- (f) liaising with the governmental instrumentalities and the public and providing them with such cooperation and information as we deem necessary on matters that could affect the provision of the services;
- (g) providing to the Operator prompt written notice of any notice by a manufacturer of major equipment installed in our plant that such equipment cannot be operated or cannot be operated at the guaranteed performance levels provided for in the Power and Water Purchase Agreement;
- (h) during the Cost Pass Through Operating Period, directly and timely paying expenses for equipment and consumables, services provided by third parties and other amounts necessary to support the operation and maintenance of our plant;
- (i) reviewing invoices to, and taking responsibility for collecting all amounts payable from, the Procurer pursuant to the Power and Water Purchase Agreement;
- (j) paying as and when due to the Operator all amounts payable under the Operation and Maintenance Agreement;
- (k) using our best efforts to cause gas, backup fuel and seawater to be supplied to our plant in such amounts and at such times as to allow the Operator to perform its services and the Additional Services;
- (l) ensuring that permanent connections are installed for the provision of all utilities necessary for the performance of services and Additional Services by the Operator;
- (m) providing reasonable assistance to the Operator, at its request, in enforcing the terms of the DBO Agreement and/or any other contract to which we are a party in relation to our plant to ensure that the DBO Contractor and/or any other relevant contractor complies with the site interface protocol and cooperating with the Operator in order for it to perform the services; and
- (n) if we intend to materially amend or terminate the DBO Agreement or enter into a replacement DBO Agreement, obtaining the prior written consent of the Operator.

### ***Payment Structure***

The Operator provides the operation and maintenance services on an annual fixed fee basis (subject to indexation) during the Fixed Price Operating Period and thereafter during the Cost Pass Through Operating Period, as further detailed below.

### ***Fixed Price Operating Period Payments***

During the Fixed Price Operating Period, we are obligated to pay the Operator for the performance of the services:

- (a) a payment as set forth for each contract year in Appendix H to the Operation and Maintenance Agreement (the “**Fixed Price Payments**”), payable monthly in advance (subject to indexation);
- (b) the variable payment payable monthly in arrears (*i.e.*, an amount equal to the sum of the variable operation and maintenance component of the electrical energy and water output charge as defined and calculated in accordance with Appendix G to the Power and Water Purchase Agreement) *provided* that the Operator shall not be entitled to receive water output charges in respect of Net Water Output produced by the New RO Plant prior to the New RO Plant Handover Date; and
- (c) an amount payable in arrears equal to the start-up payments less any start-up deductions in accordance with the relevant provisions of Appendix G to the Power and Water Purchase Agreement.

### ***Budget Reconciliation***

During each contract year, the Operator must provide us its financial and other audited information necessary to permit us to reconcile on a line-by-line basis actual operating and maintenance expenditure against projected operating and maintenance expenditure (other than Additional Services and the fee components of the Fixed Price Payments), in each case, on an annual basis and on a cumulative basis since March 16, 2009 up to and including the end of the immediately preceding contract year.

### ***Shared Margin***

During each contract year, if the shared margin (the “**Shared Margin**”) for such contract year is greater than zero, then the Operator will be obligated to pay us an amount equal to 50% of the Shared Margin. The Shared Margin is the amount by which the average Fixed Price Payments received by the Operator (other than the Operator fee component thereof) in respect of the previous three twelve-month periods, including as necessary, any twelve-month periods prior to the Closing Date, exceeds:

- (a) the average actual operating and maintenance expenditure for such previous three twelve-month periods (including, as necessary, any twelve-month periods prior to the Closing Date); and
- (b) 2.5% of such average actual operating and maintenance expenditure.

### ***Early Termination of Fixed Price Operating Period***

During each contract year, if the budget reconciliation reveals (having taken into account any changes in currency exchange rates) that actual operating and maintenance expenditure equals to 96.5% or less of the projected operating and maintenance expenditure on a cumulative basis since March 16, 2009, then we are entitled to terminate the Fixed Price Operating Period on three months’ written notice and the Cost Pass Through Operating Period will commence on the day following such termination.

### ***Cost Pass Through Operating Period***

During the period commencing on the day following termination of the Fixed Price Operating Period and ending on the last day of the term of the O&M Agreement (*i.e.*, December 1, 2035) (the “**Cost Pass Through Operating Period**”), we are obligated to pay to the Operator:

- (a) for the performance of the services, an operating fee of US\$150,000, payable monthly in arrears (subject to indexation);
- (b) from the New RO Plant Handover Date, an operating fee of US\$50,000, payable monthly in arrears (subject to indexation) (together with the fee referred to in paragraph (a), the “**Cost Pass Through Operating Fee**”); and
- (c) additional amounts payable monthly in arrears in reimbursement for the operating costs and expenses in performing the services including costs associated with staff and third-party services not directly paid by us.

During the Cost Pass Through Operating Period, the Operator is obligated to comply (except in certain emergency situations) with each annual operating budget and cannot incur any expenditure that either:

- (a) is greater than 110% of the applicable line item of the annual operating budget; or
- (b) causes the annual operating budget in aggregate to be exceeded without our prior written consent.

### ***Invoices***

The Operator will, on or before the tenth day of each month, submit to us invoices for all amounts due to the Operator in accordance with the Operation and Maintenance Agreement. If any Additional Costs have been incurred during the preceding month, an invoice detailing such Additional Costs will also be submitted by the Operator. All invoices so submitted are due and payable on the last business day of the month in which they are so submitted or, if not so submitted, on the last business day of the following month, and are subject to audit by us at our expense for a period of five years following the contract year to which they relate.

### ***Water, Energy and Fuel Incentive Payments and Liquidated Damages***

For every contract year during both the Fixed Price Operating Period and the Cost Pass Through Operating Period, incentive payments (or liquidated damages) are assessed based on the actual power and water availability of our plant exceeding (or failing to achieve) targeted power and water availability as set by the Power and Water Purchase Agreement and based on actual feedstock demand if different from the projected feedstock demand.

We will pay the Operator the following incentive payments:

- (a) a water availability incentive payment equivalent to 30% of the additional revenue receivable by us from the

Procurer for any relevant billing period in any relevant contract year up to a maximum of US\$1,820,000 per contract year (subject to indexation);

- (b) an energy availability incentive payment equivalent to 30% of the additional revenue receivable by us from the Procurer for any relevant billing period in any relevant contract year up to a maximum of US\$1,400,000 per contract year (subject to indexation); and
- (c) a fuel demand incentive payment equivalent to 30% of the fuel adjustment payment paid by the Procurer to us for any relevant billing period in any relevant contract year up to a maximum of US\$2,000,000 per contract year (subject to indexation), *provided that* the Operator is not entitled to such fuel demand incentive payment if the fuel adjustment payment we receive from the Procurer is due to the optimization of our plant carried out by us that results in improved heat rate of our plant, instead of the improved efficiency of the Operator in operating and maintaining our plant.

The Operator is obligated to pay us the following liquidated damages:

- (a) water availability liquidated damages equivalent to 30% of the amount of the reduction in revenue payable by the Procurer to us for any relevant billing period in any relevant contract year up to a maximum of US\$1,820,000 per contract year (subject to indexation);
- (b) energy availability liquidated damages equivalent to 30% of the amount of the reduction in revenue payable by the Procurer to us for any relevant billing period in any relevant contract year up to a maximum of US\$1,400,000 per contract year (subject to indexation); and
- (c) fuel demand liquidated damages equivalent to 30% of the fuel adjustment payment paid by us to the Procurer for any relevant billing period in any relevant contract year up to a maximum of US\$2,000,000 per contract year (subject to indexation).

#### ***Budget Incentive Payments and Liquidated Damages***

Within 30 days after the end of each contract year during the Cost Pass Through Operating Period, the Operator will prepare a reconciliation of the actual operating costs for such contract year with the annual operating budget for such contract year and the results of such reconciliation must be provided to us within such time period for our review.

If the actual operating costs in such contract year are less than the budgeted operating costs by more than 5%, then we are obligated to pay the Operator a budget incentive payment equal to 10% of the amount by which savings exceed an amount equal to 5% of the budgeted operating costs. Conversely, if actual operating costs in such contract year exceed the budgeted operating costs by more than 5%, then the Operator is obligated to pay us budget liquidated damages equal to 10% of the amount by which the actual operating costs exceed an amount equal to 5% of the budgeted operating costs.

#### ***Limitation on Budget Incentive Payments and Liquidated Damages***

Notwithstanding the above, no budget incentive payment or budget liquidated damages are payable if it can be reasonably demonstrated that a budget surplus or deficiency is the result of:

- (a) changes in the level or manner of dispatch of our plant or any unit from that contemplated in the annual operating budget (except when such changes result from the Operator's failure to perform its obligations under the Operation and Maintenance Agreement);
- (b) delay or rescheduling of maintenance or repairs requested or required by us; or
- (c) any other circumstances beyond the control of, or not attributable to, the Operator.

The budget liquidated damages and the budget incentive payments are each capped at US\$1,800,000 prior to the New RO Plant Handover Date and at US\$2,400,000 from the New RO Plant Handover Date (subject to indexation) except that, in the case of budget liquidated damages only, such cap will not apply to the extent the liability to pay the same is the result of the Operator's negligence, misconduct or breach of the O&M Agreement.

### ***General Limitation on Liquidated Damages***

The Operator is excused from the payment of liquidated damages to the extent that such liability arose as a result of:

- (a) reduced availability or capacity of our plant during testing pursuant to the Power and Water Purchase Agreement provisions; or
- (b) a major equipment failure, an FME or EGAI.

The Operator shall not be excused from payment of such liquidated damages to the extent that its liability to pay such liquidated damages arose as a result of its gross negligence or willful misconduct.

### ***Overall Limitations on Incentive Payments and Liquidated Damages***

Each of the total aggregate of incentive payments and liquidated damages per contract year is limited to:

- (a) US\$1,800,000 prior to the New RO Plant Handover Date; and
- (b) US\$2,400,000 from the New RO Plant Handover Date, each amount being subject to indexation.

The aggregate limitations on liquidated damages do not apply to the extent the same result from:

- (a) the gross negligence or willful misconduct of the Operator or its affiliates;
- (b) amounts payable pursuant to the Operator's indemnification obligations under the Operation and Maintenance Agreement; or
- (c) any liability satisfied by the proceeds of the insurance policies and coverage required to be obtained and maintained by the Operator pursuant to the O&M Agreement (the "**Operator Insurance**").

### ***Limitation on Liability***

Subject to the provisions of the O&M Agreement, neither party is liable to the other party for any consequential loss.

The total aggregate liability of the Operator and its affiliates and shareholders with respect to liabilities under the Operation and Maintenance Agreement or anything done in connection therewith, is limited as follows:

- (a) during the Fixed Price Operating Period, to an aggregate amount equal to the sum of:
  - (i) US\$2,400,000 for each contract year (*pro rata* for the first or last contract year if it is less than twelve calendar months); *plus*
  - (ii) 50% of the Shared Margin (if any); *plus*
  - (iii) 2.5% of the actual operating and maintenance expenditure; *plus*
  - (iv) all incentive payments (if any), in each case for the relevant contract year; and
- (b) in any contract year during the Cost Pass Through Operating Period, to an aggregate amount equal to the Cost Pass Through Operating Fee and any incentive payments paid to the Operator in such contract year,

*provided that* the Operator's and its affiliates' and shareholders' total aggregate liability during the term of the O&M Agreement (*i.e.*, until December 1, 2035) is limited to US\$25,000,000, and *provided further that*, to the extent that the Operator recovers any amount from its subcontractors in excess of the foregoing limitations, such amounts must be paid without delay to us. The foregoing limitations do not apply to:

- (a) gross negligence or willful misconduct by the Operator or its affiliates, any subcontractor or their respective employees;

- (b) amounts payable pursuant to the Operator's indemnification obligations under the Operation and Maintenance Agreement; or
- (c) any liability satisfied by the proceeds of the Operator Insurance required to be maintained pursuant to the Operation and Maintenance Agreement.

### ***Events of Force Majeure and Government Action or Inaction***

The definition of FME and EGAI in the Operation and Maintenance Agreement is substantially similar in form, scope and substance to FMEs and EGAI in the Power and Water Purchase Agreement, *provided that* EGAI in the O&M Agreement covers an additional event, which is, in respect of the New RO Plant only, boycott sanction or embargo imposed directly by the governments of the European Union or Spain during the period up to the expiry of the warranty period (as set forth in the DBO Agreement) on the U.A.E. or the Emirate of Abu Dhabi or the Emirate of Fujairah or on our plant or equipment specified in the DBO Agreement. The affected party is excused from performance and will not be construed to be in default in respect of any obligation under the Operation and Maintenance Agreement for so long as failure to perform such obligation is due to an FME or EGAI.

If either party believes an FME or EGAI has occurred during the Fixed Price Operating Period that will result in material costs or savings, such party must promptly deliver to the other party a notice identifying such FME or EGAI and the net amount of costs or savings that resulted from such event. Such party may also deliver additional notices identifying additional costs or savings that have resulted or are reasonably expected to result from such FME or EGAI, *provided that* any such additional notice must be given within twelve months from the moment the party giving it knew or should have known of such additional costs or savings resulting from the occurrence of an FME or EGAI. Within seven days following the receipt of any such notice, the parties will meet and endeavor to agree to an equitable adjustment to the Fixed Price Payments, and if they fail to agree, they must refer no later than fourteen days from the start of their negotiation the issue to a third-party engineer who must endeavor to render its determination within 45 days during which time the Operator is obligated to perform the services and we are obligated to pay the then-current Fixed Price Payments. During the continuance of any FME or EGAI, the Operator is not entitled to the annual US\$2,400,000 fee component of the Fixed Price Payments unless we receive full capacity charges pursuant to the PWPA under such circumstances.

Neither party is entitled to assert any claim for costs or savings until the aggregate of such party's claims exceeds AED 10,000,000, at which time all such claims may be asserted. Once such claims have been asserted, the same rule applies in respect of future claims.

### ***Suspension***

At any time and for any reason, on no less than fifteen days' notice in writing to the Operator, we can suspend the performance by the Operator of any or all of the services and upon receipt of such notice, the Operator must suspend the performance of the relevant services at the time(s) and to the extent specified in such notice and take such steps in accordance with good utility practice as it considers reasonably necessary to protect and secure our plant and all equipment and consumables against any deterioration, loss or damage. Unless we instruct otherwise, the Operator shall, during any suspension period, maintain staff at or near our plant.

At any time following suspension, we can, on no less than seven days' notice in writing, instruct the Operator to recommence the performance of the suspended services and upon receipt of such notice, the Operator must take all steps necessary to resume performance. Following resumption of the services, such services shall be performed as if the suspension had never occurred.

The Operator is entitled to be reimbursed for all its reasonable, direct out-of-pocket costs incurred by it in effecting the suspension and resumption of performance, unless such costs are incurred due to the Operator's negligence, misconduct or breach of the Operation and Maintenance Agreement.

During any period of suspension, the Operator shall earn and be paid its fees or payments, as applicable, pursuant to the compensation and payment provisions of the Operation and Maintenance Agreement, unless the suspension was caused by the Operator's negligence, misconduct or breach of the Operation and Maintenance Agreement. Other than during the Cost Pass Through Operating Period, the payments to the Operator under the Operation and Maintenance Agreement shall be equitably adjusted to take into account any reduction in the Operator's costs and expenses by reason of the suspension of services, with any disputes being referred for resolution in accordance with the dispute resolution mechanisms contained in the Operation and Maintenance Agreement.

### ***Project Company's Right to Terminate***

We have the right to terminate the Operation and Maintenance Agreement by giving not less than 30 days' prior written notice (or fifteen days' prior written notice in respect of paragraph (c) or in respect of paragraphs (n) and (o), forthwith) upon the occurrence and continuance of each of the following events:

- (a) an Operator bankruptcy event (if involuntary, not dismissed or stayed within 60 days thereafter);
- (b) a material breach by the Operator of the O&M Agreement that stays uncured for 30 days (or if cure has started, a further 60 days or as mutually agreed) after notice;
- (c) the willful and unexcused failure by the Operator to operate or make available any plant unit of our plant for more than 36 hours without our prior written consent;
- (d) following the cessation of a stoppage or suspension of services, failure or refusal by the Operator to commence performance of the services;
- (e) the average availability of our plant is less than 80% of either net dependable power capacity or net dependable water capacity for any consecutive eighteen months (except in the case of an FME, EGAI, or a major equipment failure or, with respect to net dependable water capacity prior to the New RO Plant Handover Date, such reduction in availability results from the DBO Contractor's failure to perform its obligations under the DBO Agreement);
- (f) the maximum amount of liquidated damages is incurred in each of any three consecutive contract years;
- (g) during the Cost Pass Through Operating Period, the maximum amount of budget liquidated damages is incurred in each of any three consecutive contract years;
- (h) subject to certain exceptions as provided in the O&M Agreement, during the Cost Pass Through Operating Period, in each of any two consecutive contract years, the aggregate operating costs are 25% or more than the projected aggregate operating costs for such contract year;
- (i) the Operator fails to pay any sum (not subject to a bona fide dispute) properly due for more than 45 days;
- (j) the Operator fails to maintain in full force and effect the Operator Insurance following 30 days of written notice by us (or, if the default cannot be cured within 30 days, 60 days after written notice if the Operator has commenced cure within 30 days thereof);
- (k) the Operator amalgamates, merges or consolidates with any other person without our prior consent (such consent not to be unreasonably withheld or delayed) and such amalgamation, merger or consolidation materially and adversely affects our interests;
- (l) the Operator assigns or transfers the Operation and Maintenance Agreement or any of its rights or interests thereunder, except as expressly permitted thereunder, or the Parent Guarantor assigns or transfers its Parent Guarantee;
- (m) the Parent Guarantor does not control the Operator or is not directly or indirectly the legal and beneficial owner of a majority of the ownership interest of the Operator;
- (n) the PWPA has terminated;
- (o) an EGAI or FME continues for a continuous period of twelve months;
- (p) the representations and warranties of the Operator are or were incorrect to a material extent when made;
- (q) the Operator incurs the aggregate liability cap and we do not agree to any increase; or
- (r) a bankruptcy event occurs in relation to the Parent Guarantor (if involuntary, not stayed or dismissed within 60 days thereafter) or the Parent Guarantee ceases to be effective and, in either case, the Operator does not provide an acceptable substitute within ten days of demand by us.

If we have served a notice to terminate, as described above, we can elect by a further notice to the Operator to operate our plant from the date of such further notice until the effective date of the termination of the O&M Agreement. If we elect to operate our plant, the Operator will have no obligations to us with respect to the operation and maintenance of our plant from the date of such step-in.

### ***Operator's Right to Terminate***

The Operator has the right to terminate the Operation and Maintenance Agreement by giving not less than 30 days' prior written notice upon the occurrence of each of the following events:

- (a) a project company bankruptcy event (if involuntary, not dismissed or stayed within 60 days);
- (b) we substantially fail to perform our obligations and we have failed to cure the default within the 30 days' written notice given by the Operator (or, if a non-payment default cannot be cured within such 30 days, we have not commenced the cure within that period and diligently proceeds to do so within 60 days following the written notice);
- (c) we have suspended the services for a continuous period of twelve months (other than as a result of the Operator's gross negligence, willful misconduct or breach of the Operation and Maintenance Agreement);
- (d) an EGAI or FME continues for a continuous period of twelve months, except if we continue making the payments required under the specific operating period, in which case the Operator cannot terminate the O&M Agreement pursuant to this paragraph; and
- (e) we fail to maintain in full force and effect our insurance following 30 days of written notice by the Operator (or, if the default cannot be cured within 30 days, 60 days after written notice if we have commenced cure within 30 days thereof).

### ***Effect of Termination***

Upon the effective date of the expiration or termination of the Operation and Maintenance Agreement and at our request (unless otherwise specified below) the Operator must:

- (a) cease all further performance of services, except those we may specify in the termination notice for the purpose of protecting and securing our plant and all equipment and consumables against deterioration, loss or damage;
- (b) assist us in preparing an inventory of all equipment and consumables in use or in storage at our plant;
- (c) terminate all subcontracts, except those to be assigned to us pursuant to paragraph (d) below;
- (d) assign to us, or to any person designated by us:
  - (i) title to all equipment and consumables not already owned by us, together with all other contracts and subcontracts (including warranties) as may be designated by us, to the extent they are assignable, in each case without any right to compensation;
  - (ii) all issued governmental authorizations, permits, licenses, approvals, patents and other proprietary rights then held by the Operator pertaining to our plant or the services; and
  - (iii) any proprietary components needed for the operation, maintenance or repair of our plant;
- (e) remove from the leased premises all the equipment and consumables and/or rubbish as we may request, other than fuel;
- (f) deliver to us all design and other information as may be reasonably requested by us for the operation, maintenance or repair of our plant, including all plant equipment manuals;
- (g) at our request, either terminate the employment of all staff or, where applicable, transfer the contracts of employment of such staff to us or a replacement operator designated by us, to the extent such contracts are transferable;

- (h) provide such assistance to us, or to a replacement operator, as we may reasonably require to effect the transfer of sponsorship of visas for expatriate staff to be employed by us or the replacement operator;
- (i) provide such assistance to us or, at our request, the replacement operator as may be reasonably required to apply for and obtain work permits for expatriate staff to be employed by us or the replacement operator from the Ministry of Labor of the United Arab Emirates; and
- (j) deliver to us or the replacement operator all personnel files, updated schedules of pension benefit contributions due to staff who are United Arab Emirates nationals, updated schedules of end of service benefits due to expatriate staff, updated schedules of vacation leave due to staff and records of ongoing benefits expenditures made by the Operator on behalf of staff.

Within 30 days following the Operator's compliance with its obligations upon expiration or termination of the Operation and Maintenance Agreement, as described above, and following submission by the Operator to us of a final invoice for all outstanding amounts payable by us to the Operator pursuant to the compensation and payment provisions of the Operation and Maintenance Agreement, we are obligated to make such payments and to reimburse the Operator for reasonable expenses incurred by the Operator in demobilizing and otherwise complying with its obligations following termination or expiration of the Operation and Maintenance Agreement (and the Operator must take all reasonable steps to minimize such costs) if the Operation and Maintenance Agreement is terminated either:

- (a) by the Operator in accordance with the Operation and Maintenance Agreement (except for a prolonged FME or EGAI); or
- (b) by us because the Power and Water Purchase Agreement has terminated (not resulting from the default of the Operator).

The Operator is not entitled to such reimbursement if:

- (a) we terminate the Operation and Maintenance Agreement for a prolonged FME or EGAI; or
- (b) the Operator terminates the Operation and Maintenance Agreement for a prolonged FME or EGAI but we must reimburse the Operator all outstanding amounts payable by us to the Operator pursuant to the compensation and payment provisions of the Operation and Maintenance Agreement following receipt of an invoice from the Operator.

Such invoice is to be submitted by the Operator to us within 30 days following the Operator's compliance with its obligations following expiration or termination of the Operation and Maintenance Agreement, as described above.

If the Operation and Maintenance Agreement is terminated by us pursuant to the occurrence of any other termination event:

- (a) we will not be obligated to reimburse the Operator for any costs incurred by the Operator in complying with its demobilization obligations; and
- (b) the Operator is obligated to pay us:
  - (i) direct out-of-pocket expenses incurred by us in connection with such termination (including in engaging a replacement operator); and
  - (ii) the amount by which the costs payable under the replacement operation and maintenance contract exceed the amount that would have been payable to the Operator (to be deducted from any amounts outstanding to the Operator).

If our expenses are greater than any amount then owing to the Operator, the Operator shall be responsible for the payment of such amount to us.

### ***Continuing Work***

If on termination of the Operation and Maintenance Agreement (for cause other than the termination of the Power and Water Purchase Agreement), we have not appointed a replacement operator, the Operator and its subcontractors are obligated, at our request, to continue to provide those portions of the services required to enable us to fulfill our immediate obligations under the Power and Water Purchase Agreement until the expiry of a further period of

90 days and subject to payment for the services during such period (performed on a cost pass through basis with all costs and expenses of the services being borne by us and the Operator being entitled to a *pro rata* portion of the Cost Pass Through Operating Fee).

### ***Cooperation with Replacement Operator***

The Operator must fully cooperate with us in the transfer of performance of the services to a replacement operator and provide access to our plant for the representatives of any such potential replacement operator. To the extent not already assigned to us as per the provisions described above (see “*Effect of Termination*”), the Operator must assign to the replacement operator, at our request, all contracts and subcontracts which it has entered into with third parties in connection with the services and which allow for such assignment.

### ***Indemnification***

We indemnify the Operator, its shareholders, agents, officers, directors, partners and employees (each an “**Operator Indemnitee**”) from and against all claims (except due to the negligence, misconduct or breach of the O&M Agreement by such Operator Indemnitee or if the Operator is compensated by an insurance policy, or would have been compensated had the Operator complied with its insurance requirements) incurred by an Operator Indemnitee as a result of:

- (a) the sickness, injury or death of any person employed directly or indirectly by such Operator Indemnitee;
- (b) damage to or destruction of any property or equipment of such Operator Indemnitee;
- (c) any event mentioned in paragraphs (a) and (b) above in relation to a third party,

in each case resulting from:

- (i) any negligent act or omission or any violation of any legal requirements by us and, prior to the New RO Plant Handover Date, the DBO Contractor, or any of its or their agents, officers, directors or employees;
  - (ii) a breach of the O&M Agreement by us; or
  - (iii) a material misrepresentation made by us to the Operator;
- (d) any applicable environmental law arising out of the condition of the leased premises, our ownership or operation of the existing plant except to the extent such claim arises from:
    - (i) a change in condition of the leased premises prior to September 26, 2006; or
    - (ii) the Operator’s operation or ownership of our plant from and after September 27, 2006; and
  - (e) violations by the Operator of any regulation promulgated by the Regulation and Supervision Bureau in respect of the operation of the existing plant regarding matters affecting the existing plant up to and including September 26, 2006 and which materially and adversely affects the Operator’s ability to comply with its obligations in respect of the existing plant.

The Operator indemnifies us, our shareholders, agents, officers, directors, partners and employees and Transco (each a “**Project Company Indemnitee**”) from and against all claims (except due to the gross negligence or willful misconduct by such Project Company Indemnitee or if the Project Company Indemnitee is compensated by an insurance policy, or would have been compensated had we complied with our insurance requirements or claims that arise out of the performance or non-performance of the DBO Agreement by the DBO Contractor, our subcontractors or any of our or their agents, officers, directors and employees) incurred by a Project Company Indemnitee as a result of:

- (a) the sickness, injury or death of any person employed directly or indirectly by such Project Company Indemnitee;
- (b) damage to or destruction of any property or equipment of such Project Company Indemnitee;
- (c) any event mentioned in paragraphs (a) and (b) above in relation to a third party,

in each case resulting from:

- (i) any negligent act or omission or any violation of any legal requirements by the Operator or any of its agents, officers, directors or employees;
- (ii) a breach of the O&M Agreement by the Operator; or
- (iii) a material misrepresentation made by the Operator to us.

The Operator indemnifies the Project Company Indemnitees from and against all claims incurred by any Project Company Indemnitee:

- (a) under any applicable environmental law arising out of the conditions of the leased premises, the operation of our plant or the custody of gas and backup fuel; or the violation or alleged violation of any environmental law by the Operator or any of its subcontractors, agents, officers, directors or employees occurring at the leased premises or our plant or in any way related to our plant, only to the extent that such claim results from the condition of the leased premises prior to September 26, 2006;
- (b) asserted by the Regulation and Supervision Bureau for violations of any regulation promulgated by the Regulation and Supervision Bureau in respect of the operation of our plant from and after September 27, 2006, *provided that* such violation is not caused or contributed to by the Operator;
- (c) as a result of a breach by the Operator or its subcontractors, agents, officers, directors or employees of the provisions in the O&M Agreement relating to environmental compliance and worker safety; and
- (d) under the DBO Agreement, if such claim is the result of the non-performance of the services by the Operator, its subcontractors or any of its or their agents, officers, directors and employees.

#### ***Governing Law and Dispute Resolution***

The Operation and Maintenance Agreement is governed by and construed in accordance with the Federal Laws and the laws of the Emirate of Abu Dhabi. Disputes that cannot be resolved through negotiation will be subject to resolution by a third-party engineer in the case of technical disputes or by arbitration in the city of Abu Dhabi under the Rules of the ICC by a panel of three arbitrators whose award will be final and binding. Except where the decision of the third-party engineer is expressly stated to be final and binding in the O&M Agreement, the decision of a third-party engineer regarding a dispute is final and binding unless written notice of dissatisfaction with the decision is given by one party to the other party, with a copy to the third-party engineer, within 30 days of such party's receipt of the third-party engineer's decision, in which event such dispute may be settled by arbitration, *provided that* a party commences such arbitration within 60 days from the date of the receipt by a party of the written notice of dissatisfaction. If no arbitration is commenced within 60 days from the issuance of the notice of dissatisfaction, the third-party engineer's decision will be final and binding upon the parties, notwithstanding the notice of dissatisfaction given by a party.

#### ***Parent Guarantee***

In accordance with its obligation under the Operation and Maintenance Agreement, the Parent Guarantor has issued the Parent Guarantee pursuant to which the Parent Guarantor guarantees and will indemnify (as a primary obligation) for our benefit, the Security Trustee for and on behalf of the Finance Parties, any substitute to the Finance Parties and any additional obligor under the financing documents against any sum payable by the Operator to us under the Operation and Maintenance Agreement and any claims pursuant to the Operator's breach of the O&M Agreement, subject to a cap of US\$20,000,000 in any contract year, *provided that* such limitation of liability will not apply to:

- (a) gross negligence or willful misconduct by the Operator or its affiliates, any subcontractor or their respective employees;
- (b) amounts payable pursuant to the Operator's indemnification obligations under the O&M Agreement; or
- (c) any liability satisfied by the proceeds of the Operator Insurance required to be maintained pursuant to the O&M Agreement.

The Parent Guarantee is governed by and construed in accordance with English law.

## **DBO Agreement**

The DBO Agreement was entered into on January 15, 2013 by and between the DBO Contractor and us in relation to the New RO Plant. The below summarizes key provisions of the DBO Agreement following the New RO Plant Commercial Operation Date and therefore does not cover pre-New RO Plant Commercial Operation Date provisions and obligations.

### ***Term***

The DBO Agreement became effective on January 15, 2013 and will expire on the New RO Plant Handover Date.

### ***DBO Contractor's Responsibilities***

The DBO Contractor is responsible for the following, among others:

- (a) the installation, completion, testing and commissioning of the New RO Plant;
- (b) the operation and maintenance of the New RO Plant until the New RO Plant Handover Date;
- (c) the renewal of all the consents for the DBO Contractor required for the purposes of the New RO Plant; and
- (d) the provision of all customary measures in accordance with good utility practice required to ensure the protection and security of the New RO Plant and the New RO Plant site that are required under applicable legal requirements or reasonably required by any governmental instrumentality of the Emirate of Abu Dhabi or the Emirate of Fujairah.

The DBO Contractor's obligations under the DBO Agreement are secured by the performance security which is comprised of:

- (a) the Performance Bond in the sum of US\$23,704,790 (equal to 15% of the construction price (*i.e.*, US\$158,031,930, as the same may be adjusted in accordance with the terms of the DBO Agreement) (the "**Construction Price**")) valid on and from the day following the New RO Plant Commercial Operation Date until the date occurring three years after the New RO Plant Commercial Operation Date; and
- (b) the Handback Bond in the sum of US\$10,000,000 valid on and from the New RO Plant Commercial Operation Date until the date of the completion certificate.

### ***Project Company's Responsibilities***

We are responsible for the following, among others:

- (a) making the New RO Plant site available, or causing the same to be made available, to the DBO Contractor;
- (b) the due and proper application for, the diligent effort to obtain and the receipt of all the consents, and the renewal thereof, required to be obtained by us in connection with the transactions contemplated by the DBO Agreement; and
- (c) coordinating with the DBO Contractor in connection with the physical security measures to be taken by the DBO Contractor that directly affect the New RO Plant, the New RO Plant site and the Transco areas.

### ***License and Right of Way***

We grant the DBO Contractor the right to access and occupy the New RO Plant site, the RO water tanks area and all the rights of way, easements and other access rights as defined in the DBO Agreement, in each case only for the purposes of and to the extent necessary for the DBO Contractor to perform its obligations and exercise its rights under the DBO Agreement and subject to the provisions of the DBO Agreement and the rights of any entity entitled to exercise a statutory function within those areas. This license is non-transferable and cannot be sub-licensed except that the DBO Contractor may grant a sub-license to the Membrane Supplier.

### ***Engineering, Procurement and Construction of the New RO Plant***

The DBO is responsible for engineering, designing, procuring, supplying, erecting, constructing, installing, testing and commissioning the New RO Plant and the Fujairah 1 special facilities.

Without limiting the generality of the above paragraph, the DBO Contractor shall:

- (a) procure all equipment, components and materials required for the works;
- (b) supply only equipment, components and materials which are newly manufactured by reputable manufacturers with sufficient experience with regard to the New RO Plant and the Fujairah 1 special facilities;
- (c) procure that spares for the equipment referred to in paragraph (b) above will be available to us from the relevant manufacturer for a period of at least ten years after the New RO Plant Commercial Operation Date;
- (d) act at all times and carry out the works to the standard of a reasonable and prudent design-build-operate contractor, in a safe manner and in accordance with good utility practice, legal requirements, environmental law and the DBO Agreement;
- (e) complete the works so that they meet the requirements and standards set out in the DBO Agreement and can be operated in accordance with such requirements and standards, all applicable legal requirements and the parameters and procedures set forth in the Transmission Code; and
- (f) complete the works so they are fit for the purposes described in the DBO Agreement.

On the New RO Plant Commercial Operation Date, the DBO Contractor transferred the Fujairah 1 special facilities to us and, since that date, we have been responsible for operating, maintaining and insuring such facilities as part of the New RO Plant.

### ***Warranties in relation to Engineering, Procurement and Construction***

The DBO Contractor warrants that, among others, the design, engineering, procurement and construction of the New RO Plant and the Fujairah 1 special facilities conforms to the requirements set out in the DBO Agreement and are free from defects and deficiencies in design, workmanship and materials.

In case of breach of any of the DBO Contractor's warranties, the DBO Contractor must promptly and at its cost make any repairs or replacements necessary to remedy such breach. If the DBO Contractor fails to rectify such breach, we are entitled to rectify it ourselves, at the cost of the DBO Contractor and to exercise our rights under the performance security. Any dispute regarding breaches of warranties must be submitted to a third-party engineer in accordance with the dispute resolution mechanisms set out in the DBO Agreement.

The warranties are effective from January 15, 2013 until the end of the warranty period which means, in respect of:

- (a) the initial set of membranes installed before the New RO Plant Commercial Operation Date, the period commencing on the installation and ending 24 months from the New RO Plant Commercial Operation Date;
- (b) replacement membranes, the period of 24 months from the date of installation;
- (c) external paintwork, the period of five years from the New RO Plant Commercial Operation Date; and
- (d) other works (excluding membranes and paintwork), the period of 24 months from the New RO Plant Commercial Operation Date.

If any part of the New RO Plant is replaced (excluding external paintwork) after the New RO Plant Commercial Operation Date, such part will be covered by the original warranty but with a new two-year warranty period. In no event will a warranty period (excluding for external paintwork) end later than four years after the New RO Plant Commercial Operation Date.

If external paintwork is replaced after the New RO Plant Commercial Operation Date, such paintwork will be covered with a new four-year warranty period. In no event will a warranty period end later than five years after the New RO Plant Commercial Operation Date.

Irrespective of the above, if a breach of the DBO Contractor's warranties results in the partial or total collapse of the New RO Plant or affects the stability of the structure or safety thereof, then the DBO Contractor's obligations in connection with the warranties will end ten years after the New RO Plant Commercial Operation Date.

### ***O&M Services; DBO Contractor's Responsibilities***

From the New RO Plant Commercial Operation Date until the end of the term of the DBO Agreement, the DBO Contractor must provide to us all the relevant services to operate, maintain and repair the New RO Plant. The DBO Contractor must act in a manner consistent with good utility practice and in accordance with the operating procedures and the despatch instructions, subject to the technical limits of the New RO Plant, according to the Transmission Code.

The duties of the DBO Contractor include, among others:

- (a) providing all net dependable water capacity to us;
- (b) providing all DAF treated seawater to us;
- (c) delivering to us at the output delivery point all Net Water Output despatched by Transco from the New RO Plant;
- (d) providing all DAF Fujairah 1 treated seawater to us at the outlet of the DAF Unit;
- (e) taking delivery, safely storing and managing all necessary equipment and chemicals and spares and consumables;
- (f) providing the O&M services and otherwise operating, maintaining, repairing and administering the New RO Plant in accordance with the DBO Agreement and our rights and obligations under the other project agreements;
- (g) providing all customary measures to ensure the protection and security of the New RO Plant and the New RO Plant site that are required under applicable legal requirements or are reasonably required by any governmental instrumentality;
- (h) performing all required scheduled maintenance, as set forth in the long-term operating plan, and managing all unscheduled maintenance;
- (i) being responsible for the operation, maintenance and replacement of all membranes required for the New RO Plant;
- (j) procuring the supply and installation of:
  - (i) the set of membranes initially required for the New RO Plant; and
  - (ii) replacement membranes at the warranted membrane replacement rate, set out in the MSA, and so as to satisfy all the applicable requirements of the DBO Agreement;
- (k) procuring the supply and storage of the membranes to be available as emergency stock (5% of the total number of membranes initially installed in the New RO Plant); and
- (l) ensuring that at the end of the term each membrane satisfies the applicable handback requirements.

If the DBO Contractor fails to perform any O&M services and we issue a notice asking the DBO Contractor to remedy such failure and the DBO Contractor does not do so within the time frame specified in the notice then we are entitled to remedy or procure the remedy such failure and the DBO Contractor will be responsible for any costs incurred by us as a result.

The DBO Contractor must at all times, including at those times when DAF treated seawater is not delivered for whatever reason to the New RO Plant, provide us with DAF treated seawater in quantities as requested by us that satisfy the DAF Fujairah 1 treated seawater flow and of a quality that satisfies the DAF guaranteed treated seawater quality. If, at any time, the flow of DAF treated seawater is less than the DAF Fujairah 1 treated seawater flow and/or the quality of DAF treated seawater does not satisfy the DAF guaranteed treated seawater quality, as the case may be, then the DBO Contractor shall remedy this breach, including by further treatment of the DAF treated seawater with chemicals supplied by the DBO Contractor.

Fifteen days prior to the start of each quarter in each calendar year, the DBO Contractor must submit to us an electricity utilization schedule which sets forth the DBO Contractor's anticipated electricity usage for the next twelve months, commencing on January 1, April 1, July 1 or October 1, as applicable.

We and the DBO Contractor must cooperate to ensure that all the scheduled maintenance are scheduled so as to minimize our loss of revenues and comply with the requirements of the project agreements and all applicable legal requirements. In particular, the DBO Contractor must ensure that the planned outages and the maintenance outages occur only during outages of our plant. The times and amount of all scheduled maintenance are set forth in the long-term operating plan and can only be revised with our consent.

The DBO Contractor must manage, oversee and perform all unscheduled maintenance as soon as possible and inform us of such unscheduled maintenance as soon as reasonably practicable.

The DBO Contractor must operate the New RO Plant in accordance with the environmental requirements set forth in the DBO Agreement and all the other legal requirements relating to pollution control and environmental standards and must not contravene such standards.

### ***Staff***

The DBO Contractor is responsible for appointing a RO plant manager, who shall have the requisite level of skill and experience to manage the New RO Plant, who is authorized to act as the agent for the DBO Contractor on all matters concerning the DBO Agreement and the Operator's obligations thereunder. The DBO Contractor is bound by all communications, directions, requests and decisions issued by the RO plant manager. Any agreement, howsoever defined, that is expressly permitted under the DBO Agreement or expressly envisaged to be executed by the DBO Contractor shall be executed by the DBO Contractor or its delegated representative. The DBO Contractor is responsible for appointing the RO process engineer, who shall have the requisite level of skill and experience to supervise the technical aspects of the New RO Plant. The RO plant manager and the RO process engineer hold a key position.

The DBO Contractor is responsible for hiring, employing, training, instructing and managing the staff necessary to perform the designated positions, subject to our approval.

The DBO Contractor shall not unilaterally terminate or materially alter the scope of the role of any person appointed to a key position or designated position, without our prior written approval (*provided that* such consent shall be deemed to have been granted in circumstances which the DBO Contractor reasonably estimates warrant immediate dismissal). The DBO Contractor shall replace any person appointed to a key position or a designated position whose engagement is terminated as soon as reasonably practicable with a person who shall have been previously approved by us.

The DBO Contractor is responsible for hiring, employing, training, instructing and managing the staff necessary to operate, maintain and repair the New RO Plant in accordance with the DBO Agreement. The DBO Contractor must ensure that the necessary members of the staff are on duty at the New RO Plant at all times, 24 hours a day and seven days a week.

We are entitled to request the DBO Contractor to remove a member of the staff from the New RO Plant site for cause, *i.e.*:

- (a) failure to substantially perform employment duties;
- (b) willful conduct injurious to our interest; or
- (c) breach of any legal requirement applicable to us, the DBO Contractor or the New RO Plant site).

The DBO Contractor must comply with such requests as soon as practicable.

All staff engaged in the performance of the O&M services shall be qualified to perform, and be experienced in, the duties to which they are assigned (or be sufficiently trained prior to assuming such duties) and shall meet any express requirements for the relevant category of personnel under any relevant manuals relating to the New RO Plant.

### ***Annual Operating Budget and Long-Term Operating Plan***

At least 90 days prior to the commencement of each contract year, the DBO Contractor shall prepare and submit to us an annual operating budget and a long-term operating plan with respect to the remainder of the term.

Each annual operating budget shall include, among others:

- (a) a detailed annual maintenance program and an outline of the major maintenance activities envisaged for the following three contract years;
- (b) detailed schedules of routine maintenance;
- (c) expected operations and repairs and the estimated cost thereof;
- (d) proposed inventories and procurement;
- (e) projected capacity and output of water to be made available and produced for sale;
- (f) projected electricity and treated seawater to be utilized by the New RO Plant;
- (g) data regarding expected environmental performance;
- (h) details of an environmental compliance program;
- (i) staffing levels;
- (j) details of all training programs; and
- (k) the cost of any license fees and taxes associated with the performance of the DBO Agreement.

The long-term operating plan shall be in a form mutually agreed between the parties and shall include for the relevant period covered by the long-term operating plan all matters covered in the annual operating budget, as listed above.

We shall indicate in writing our comments on the annual operating budget and the long-term operating plan within 30 days of such submission and the parties shall meet as soon as practicable thereafter with the objective of discussing and agreeing on the content of the same. In the event of any difference of opinion in relation to the annual operating budget or the long-term operating plan, the parties shall promptly meet and use reasonable endeavors to resolve any such difference of opinion.

### ***Emergency Events***

Upon the occurrence of an emergency event, the DBO Contractor must:

- (a) take all the necessary measures consistent with good utility practice to prevent, avoid or mitigate the consequences of such emergency event; and
- (b) inform us of such event and the DBO Contractor's response thereto. Unless the emergency event constitutes an EGAI or FME, the DBO Contractor is not entitled to be reimbursed for the costs it incurred in responding to the emergency event.

### ***Project Company Services***

From the New RO Plant Commercial Operation Date and for the duration of the term of the DBO Agreement, we must, at no extra cost:

- (a) supply and deliver to the DBO Contractor, at no cost to the DBO Contractor, the services as detailed in the DBO Agreement, which includes, among others, the provision of electricity, seawater and natural gas and diesel; and
- (b) provide access to the DBO Contractor to, and enable it to use, certain common facilities and services (sewage treatment, firefighting, demineralized water, security, storage and road access) as reasonably required for the operation of the New RO Plant.

The parties agree that, following the New RO Plant Commercial Operation Date, any breach of our supply obligations in respect of electricity and seawater shall not give rise to any liability on our part under the DBO Agreement and shall not adversely affect the O&M fixed fee payable thereunder.

## ***Payment***

During the period from the New RO Plant Commercial Operation Date until the end of the term of the DBO Agreement, we must pay the DBO Contractor the O&M fees in consideration for the performance by the DBO Contractor of the O&M services.

If at any time after the New RO Plant Commercial Operation Date, the DBO Contractor is unable to conduct a net dependable capacity test because of any of our action or failure to act (without justifiable cause) or due to an EGAI, then the New RO Plant shall be deemed to be providing net dependable water capacity equivalent to the contracted water capacity of the relevant contract year and we must compensate the DBO Contractor for such deemed net dependable water capacity until the net dependable capacity test is actually completed. If, following completion of such test, it is demonstrated that the net dependable water capacity is less than the contracted water capacity for that contract year, then the amounts paid by us as compensation that are in excess of what we would have had to pay, had the net dependable capacity test not be prevented, together with interest accrued at the late payment rate, will be credited against future payments.

## ***National Participation; Emiratization***

The DBO and its subcontractors must:

- (a) give preference to the use of equipment and materials produced and manufactured in the U.A.E. and to U.A.E. labor, personnel, services and contractors;
- (b) use U.A.E. freight forwarders; and
- (c) use insurance companies, brokers and agents registered in the U.A.E., *provided that* in respect of paragraphs (a) and (b) these are at least as reasonably favorable, taking into account price, quality, reliability and schedule, to the DBO Contractor as others available.

The minimum percentage of U.A.E. nationals to be employed by the DBO Contractor during the term of the DBO Agreement is as follows, at least:

- (a) 20% within five years from the New RO Plant Commercial Operation Date;
- (b) 24% within six years from the New RO Plant Commercial Operation Date; and
- (c) 28% within seven years from the New RO Plant Commercial Operation Date.

## ***Insurance***

The DBO Contractor shall at its expense take out and maintain in effect, or cause to be taken out and maintained in effect, during the performance of the DBO Agreement, all the insurances specified in the DBO Agreement in the sums and with the deductibles and other conditions specified therein and any other insurances as are required by law or as are consistent with good utility practice. These insurances include:

- (a) equipment insurance on site and during transportation;
- (b) automobile liability insurance; and
- (c) workmen's compensation and employer's liability insurance.

## ***Indemnification***

The DBO Contractor must indemnify us, ADWEC, Transco and their shareholders, directors, officers, employees and representatives and its affiliates, agents, contractors or licensees and their respective directors, officers and employees (the "**project company Parties**") from claims made against any project company Parties:

- (a) for any loss of or damage to property or death or injury to persons (excluding workers' compensation claims) resulting from a negligent act or omission of the DBO Contractor or any of the DBO Contractor Parties that arises out of the performance of the DBO Agreement (except if such loss, damage, death or injury is attributable to our negligence or misconduct of, or breach of the DBO Agreement by, us or that of any project company Parties or the failure by us or any of them to take reasonable steps in the mitigation thereof);

- (b) under any applicable environmental law relating to the condition of the New RO Plant site or the operation of the New RO Plant by the DBO Contractor (except to the extent that such claim results from the condition of our plant existing prior to January 15, 2013);
- (c) under any law arising out of the DBO Contractor's design, construction, testing or commissioning of the works; and
- (d) in connection with any breach of contract of, or a negligent act or omission in connection with, our project agreements (excluding the DBO Agreement), in each case by the DBO Contractor or any DBO Contractor Parties.

We must indemnify the DBO Contractor, its shareholders, directors, officers, employees and representatives and its affiliates, agents, subcontractors or licensees and their respective directors, officers and employees (the "**DBO Contractor Parties**") from claims made against any DBO Contractor Parties for any loss of or damage to property or death or injury to persons (excluding workers' compensation claims) resulting from a negligent act or omission on our part or that of any of the project company Parties that arises out of the performance of the DBO Agreement (except if such loss, damage, death or injury is attributable to the negligence or misconduct of, or breach of the DBO Agreement by, the DBO Contractor or any DBO Contractor Parties or the failure by any of them to take reasonable steps in the mitigation thereof).

#### ***Force Majeure and Government Action or Inaction***

An EGAI under the DBO Agreement is substantially the same that an EGAI under the PWPA save that:

- (a) the gas supply force majeure EGAI under the PWPA is replaced with an electricity and seawater supply force majeure EGAI under the DBO Agreement; and
- (b) there is an extra limb to the EGAI under the DBO Agreement which consists of boycott sanction or embargo imposed directly by the governments of the European Union or Spain during the period up to the expiry of the warranty period on the U.A.E. or the Emirate of Abu Dhabi or the Emirate of Fujairah or on our plant or equipment specified in the DBO Agreement.

An FME under the DBO Agreement is substantially the same that an FME under the PWPA save that the gas supply force majeure or transmission system or water trunk mains system force majeure under the PWPA definition is replaced with an electricity and seawater supply force majeure under the DBO Agreement.

#### ***Effects of FME and EGAI - General***

The affected party is excused from performance and is not construed as being in default for so long as the failure to perform its obligations is due to an EGAI or FME.

#### ***Effects of FME and EGAI – Effects on Charges***

If an FME affects the ability of the DBO Contractor to provide net dependable water capacity, we shall continue to be obligated to make payment of the O&M fixed fee but only for the available net dependable water capacity, and of the O&M variable fee but only in respect of the Net Water Output delivered to us.

If an EGAI affects the ability of the DBO Contractor to provide net dependable water capacity, we shall continue to be obligated to make payment of the O&M fixed fee but only for deemed available capacity, and of the O&M variable fee but only in respect of the Net Water Output delivered to us.

If an EGAI does not affect the ability of the DBO Contractor to provide net dependable water capacity but affects its ability to deliver Net Water Output to us, we must continue to make payment of the O&M fixed fee in respect of the available net dependable water capacity and the O&M variable fee in respect of Net Water Output delivered to us.

If an FME affects our ability to perform our obligations under the DBO Agreement, we must continue to make payment of the O&M fixed fee in respect of the available net dependable water capacity and the O&M variable fee in respect of the Net Water Output as to which we are able to take delivery.

If an EGAI affects our ability to perform our obligations under the DBO Agreement, we must continue to make payment of the O&M fixed fee in respect of the available net dependable water capacity and the O&M variable fee in respect of the Net Water Output as to which we are able to take delivery.

### ***Effects of FME and EGAI – Extension of Term***

The term of the DBO Agreement will be extended by any period during which the DBO Contractor is prevented from performing its material obligations under the DBO Agreement as a result of an FME. The term of the DBO Agreement may be extended at our option by any period of EGAI during which we have continued to pay the O&M fixed fee *provided that* during any such extension period we are only obligated to pay the O&M fixed fee in respect of available net dependable water capacity and *further provided that* any such extension period will run consecutively with any extension mentioned in the preceding sentence.

### ***Costs and Savings***

For the applicable events set out in the DBO Agreement that are covered by the following (including an EGAI), if a party believes that such an event will result in costs or savings it must promptly notify the other party identifying such event and the net amount of costs or savings that have resulted from it. Such party may also from time to time deliver additional notices with respect to any such event, identifying additional costs or savings that have resulted or are reasonably expected to result from the event. Any additional notice must be given not later than eleven months, in the case of the DBO Contractor or thirteen months, in our case, from the day the party giving such notice knew or should have known of such additional costs or realization of such additional savings.

Within five days of receipt of such notice, the parties must meet at the offices of the Procurer to discuss the subject matter of the notice. If within fourteen days after the commencement of discussions, either party or the Procurer disputes any of the contents of the notice, the dispute must be submitted to a third-party engineer appointed in accordance with the dispute resolution provisions of the DBO Agreement. The parties must use their best efforts to cause the third-party engineer to render a determination not later than 45 days after being appointed.

To the extent that a claim for costs or savings resulting from the occurrence of an EGAI is not disputed or has been allowed by the third-party engineer, the appropriate components of the O&M fixed fee and the O&M variable fee will be adjusted so as:

- (a) to ensure that the DBO Contractor has the same net, after-tax economic return as if such costs had not been incurred or such savings had not been realized; and
- (b) to be retroactive to the date upon which such costs were incurred or such savings were realized.

If within 45 days following the allowance of or agreement upon any claim for costs or savings, the parties or ADWEC are unable to agree on the adjustment of the O&M fixed fee or the O&M variable fee, the dispute regarding such adjustment will be referred to a third-party engineer appointed in accordance with dispute resolution provisions of the DBO Agreement. The parties must use their best efforts to cause the third-party engineer to render his determination not later than 45 days after being appointed.

Neither party is entitled to assert any claim for costs or savings until the aggregate of such party's claims exceeds AED 1,000,000, at which time all such claims may be asserted. Once such claims have been asserted, the same rule applies in respect of future claims.

### ***Limitations on Liability – Aggregate Liability Cap***

The total aggregate liability of the DBO Contractor and its affiliates and shareholders with respect to liabilities under the DBO Agreement is limited to:

- (a) 25% of the Construction Price until the date on which the latest warranty period to end expires or such time as the obligations and liabilities of the DBO Contractor to rectify defects, as per the applicable provisions of the DBO Agreement, have been performed and satisfied in full, whichever is the later; and
- (b) US\$20,000,000 from the expiry of the period described in paragraph (a) until such time when all of the DBO Contractor's obligations and liabilities in connection with the DBO Agreement have been performed and satisfied in full,

*provided that:*

- (i) if the DBO Contractor recovers from its subcontractors any amount in excess of the limitations set out above it must pay us such amounts; and

(ii) the limitations set out above do not apply in case of:

- (A) gross negligence, abandonment or willful misconduct by the DBO Contractor or its affiliates, any subcontractor or their respective employees;
- (B) amounts payable pursuant to the DBO Contractor's indemnification obligations under the DBO Agreement;
- (C) liabilities satisfied by the proceeds of the DBO Contractor's insurance required to be maintained under the DBO Agreement;
- (D) any liabilities that cannot be limited under any legal requirements; or
- (E) amounts payable as liquidated damages under the DBO Agreement.

#### ***Limitations on Liability – Liquidated Damages and Deductions for O&M Fees***

The total aggregate liability of the DBO Contractor and its affiliates and shareholders with respect to:

- (a) liquidated damages for delay will not exceed 10% of the Construction Price;
- (b) performance liquidated damages will not exceed 10% of the Construction Price; and
- (c) liquidated damages (for delay and performance) will not exceed 20% of the Construction Price.

The annual aggregate liability of the DBO Contractor and its affiliates and shareholders with respect to deductions from the O&M fees will not exceed 100% of the annual O&M fees and such deductions in the aggregate will not exceed the US\$20,000,000 limitation referred to above.

#### ***Consequential Loss Exclusion***

Subject to certain exceptions as set out in the DBO Agreement, no party has any liability for any consequential loss, except that this does not apply to any claim for an indemnity or any liability for liquidated damages.

#### ***Assignment and Subcontracting***

Neither party may sell, assign or otherwise transfer its rights or obligations under the DBO Agreement without the prior written consent of the other party except:

- (a) for the purpose of financing the New RO Plant or the Fujairah 1 project refinancing;
- (b) that we can assign or otherwise transfer our rights or obligations under the DBO Agreement without the prior written consent of the DBO Contractor to any of ADWEA, ADWEC or Transco *provided that* the DBO Contractor is reasonably satisfied that the proposed assignee is comparable to us in terms of its ability to become a party and perform our obligations under the DBO Agreement; and
- (c) that at any time after the New RO Plant Commercial Operation Date and at our option only, the parties agree to enter into a novation agreement with the Operator.

The DBO Contractor is not permitted to enter into any subcontract for the operation and/or maintenance of the New RO Plant without our prior written consent.

#### ***Suspension***

At any time and for any reason, on no less than fifteen days' notice, we can suspend the performance of the DBO Contractor and upon receipt of such notice, the DBO Contractor must suspend the performance of the relevant obligations and take any necessary steps to secure the New RO Plant, the New RO Plant site and all equipment and materials against any deterioration, loss or damage.

At any time following suspension, we can, on no less than seven days' notice, instruct the DBO Contractor to recommence the performance of its suspended obligations and upon receipt of such notice, the DBO Contractor must take all steps necessary to resume performance.

The DBO Contractor is entitled to be reimbursed for all its reasonable, direct out-of-pocket costs incurred in effecting the suspension and resumption of performance.

### ***Termination***

The DBO Agreement may be terminated upon the occurrence of a DBO Contractor event of default or a project company event of default.

Each of the following shall be a DBO Contractor event of default:

- (a) the willful and unexcused failure by the DBO Contractor to operate or make available the New RO Plant if the New RO Plant is operable, in accordance with the provisions of the DBO Agreement for more than 36 consecutive hours;
- (b) the abandonment of the New RO Plant;
- (c) the failure to remedy a defect in design, materials and workmanship within the period which is required to attain the dates specified in the implementation schedule which default is not remedied within 30 days after notice from us to the DBO Contractor demanding remedy thereof;
- (d) the failure by the DBO Contractor to pay liquidated damages within the time periods specified therefore in the DBO Agreement, or the failure by the DBO Contractor to make any other payment under the DBO Agreement within 30 days after it has become due and payable;
- (e) the occurrence of any of insolvency event in respect of the DBO Contractor;
- (f) the breach by the DBO Contractor of any of its obligations under the DBO Agreement (other than any breach referred to in paragraphs (a) to (e) and paragraphs (h), (l) or (m)) which is not remedied within 30 days after we notify the DBO Contractor stating that such a breach has occurred, identifying the breach in question in reasonable detail, and demanding remedy thereof;
- (g) the average availability of less than 85% of net dependable water capacity for any rolling period of twelve months or more, except to the extent the same is excused as the result of an FME or an EGAI;
- (h) the DBO Contractor fails to maintain in full force and effect the insurances required under the DBO Agreement *provided that* we have given the DBO Contractor 30 days' written notice of such failure and the DBO Contractor has failed to cure the same within such 30 days or the DBO Contractor has not commenced the cure within that period and diligently proceeds therewith to completion within 60 days of such written notice;
- (i) save as expressly permitted under the DBO Agreement, the DBO Contractor assigns or transfers the DBO Agreement or any of its rights or interest thereunder;
- (j) any of the representations and warranties the DBO Contractor has given under the DBO Agreement proves to be or have been materially incorrect;
- (k) any of the DBO Contractor's incurred liabilities under the DBO Agreement which are subject to a limitation of liability under the limitations on liability provisions of the DBO Agreement would, but for the applicable limitation, exceed that limitation and we are not prepared to approve an increase in such limitation on liability, supported by a corresponding increase in the performance security;
- (l) the invalidity of any other part of the performance security or downgrading of the credit rating of any other provider of the performance security where the DBO Contractor does not procure replacement performance security or the provision of a replacement provider by a person reasonably acceptable to us within ten days of our first demand; or
- (m) the failure by the DBO Contractor to remedy the breach relating to DAF treated seawater in circumstances where the flow of DAF treated seawater is less than the DAF Fujairah 1 treated seawater flow and/or the quality of DAF treated seawater does not satisfy the DAF guaranteed treated seawater quality, as the case may be, within a reasonable period of time,

*provided that* in the case of any DBO Contractor event of default referred to in paragraphs (a), (d), (g), (i) or (n) if, notwithstanding the exercise of reasonable endeavors by the DBO Contractor, such default cannot be cured within

30 days after our notice, the DBO Contractor shall be afforded a further period of 30 days within which to cure such default; *provided always that* the DBO Contractor shall throughout such further 30-day period, exercise reasonable continuous efforts to cure the default.

Each of the following events shall be a project company event of default:

- (a) our failure to make any payment of the Construction Price or O&M fees (subject to deductions and/or set off in accordance with the DBO Agreement) in accordance with the DBO Agreement within 45 days after it has become due and payable;
- (b) the expropriation or compulsory acquisition of the New RO Plant site or the New RO Plant or any material portion thereof that materially and adversely affects the operation of the New RO Plant or any material asset of the DBO Contractor; or
- (c) the occurrence of any of insolvency event in our respect.

Upon the occurrence of a DBO Contractor event of default or a project company event of default:

- (a) the non-defaulting party may give notice to the defaulting party specifying the default and proposing a termination date, which must be at least 30 days after the date of such notice;
- (b) during the period provided in the notice, 30 days or more, the parties must consult as to what steps can be taken to mitigate the consequences of, and curing, such a DBO Contractor event of default or a project company event of default, as applicable;
- (c) if such event has not been cured at the expiry of the period referred to above and the parties have not agreed to extend the cure period, then the non-defaulting party may terminate the DBO Agreement.

The DBO Agreement may be terminated upon the occurrence of a prolonged (*i.e.*, for a continuous period of 365 days) DBO Contractor event of default or a project company event of default *provided that*, if we elect in such event to continue paying the O&M fixed fee, then the DBO Contractor is not entitled to terminate the DBO Agreement.

We can terminate the DBO Agreement if:

- (a) a prolonged FME or prolonged EGAI prevents us from performing our obligations during that period; or
- (b) a prolonged EGAI prevents the DBO Contractor from operating the New RO Plant or delivering the Net Water Output.

In case of termination we, or the DBO Contractor, as applicable, will pay to the other party the compensation (if any and as applicable) as follows:

- (a) if we terminate the DBO Agreement as a result of a DBO Contractor event of default, we shall determine the DBO Contractor default termination sum calculated as the sum of:
  - (i) the termination costs;
  - (ii) the replacement costs; and
  - (iii) any amounts payable in accordance with the DBO Agreement but not paid as at the termination date by the DBO Contractor to us,  
  
*less*
  - (iv) any amounts payable in accordance with the DBO Agreement but not paid as at the termination date by us to the DBO Contractor (which for the avoidance of doubt shall not include any demobilization costs).
- (b) if the DBO Contractor terminates the DBO Agreement as a result of a project company event of default, the DBO Contractor shall, within 30 days of the termination date, submit to us a final invoice for the project company default termination sum calculated as the sum of:

- (i) any amounts payable in accordance with the DBO Agreement but not paid as at the termination date by us to the DBO Contractor (which for the avoidance of doubt shall not include any demobilization costs);
- (ii) the demobilization costs; and
- (iii) the net present value of the profit which the DBO Contractor would reasonably have anticipated to make (if the DBO Agreement had not been terminated) in the period of one calendar year immediately following the New RO Plant Commercial Operation Date discounted at the rate of 10% per annum from the scheduled date for distribution of such profit to the termination date and providing that the DBO Contractor shall have taken all reasonable steps to minimize and mitigate such loss of profit,

*less*

- (iv) any amounts payable in accordance with the DBO Agreement but not paid as at the termination date by the DBO Contractor to us.
- (c) If, either party terminates the DBO Agreement due to a prolonged FME or a prolonged EGAI, the DBO Contractor shall, within 30 days of the termination date, submit a final invoice to us for the FM termination sum calculated as the sum of:

- (i) any amounts payable in accordance with the DBO Agreement but not paid as at the termination date by us to the DBO Contractor (which for the avoidance of doubt shall not include any demobilization costs),

*less*

- (ii) any amounts payable in accordance with the DBO Agreement but not paid as at the termination date by the DBO Contractor to us.

Upon termination, the DBO Contractor must cooperate with us in the transfer of performance under the DBO Agreement and must provide access to the New RO Plant and the New RO Plant site to any potential replacement contractor. The DBO Contractor must, at our request, assign all of the contracts and subcontracts entered into with third parties to the replacement contractor.

### ***Handback***

The DBO Contractor must ensure that upon expiry or termination of the DBO Agreement, the New RO Plant will satisfy in all respects:

- (a) the handback requirements;
- (b) the applicable environmental standards set forth in the DBO Agreement; and
- (c) all other applicable legal requirements.

Not less than twelve months prior to the last day of the term (or as soon as practicable after the last day of the term in the event that termination occurs without prior notice), we and the DBO Contractor shall conduct a joint inspection of the New RO Plant with the objective of agreeing the extent to which the handback requirements have been satisfied.

If the handback requirements have not been satisfied, the DBO Contractor shall be allowed a period of 30 days (or such other period as the parties may agree in writing) in which to procure satisfaction in all respects of the handback requirements.

If the DBO Contractor fails to procure satisfaction in all respects of the handback requirements in accordance with the provisions of the DBO Agreement, we shall (notwithstanding that the matter may have been referred to the third party engineer) be entitled to recover our estimate of procuring satisfaction in all respects of the handback requirements including by setting off from any amounts payable by us to the DBO Contractor and exercising our rights under the Handback Bond.

If the New RO Plant is capable of performing in all respects in accordance with the requirements of the DBO Agreement (including the handback requirements) without the replacement of each membrane as required the DBO Agreement, then the DBO Contractor will not be required to replace the relevant membranes and instead will safely store all relevant replacement membranes in accordance with the manufacturer's recommendations at a location on the New RO Plant site to be agreed with us.

When the parties agree or it has been determined that the handback requirements have been satisfied, the parties shall both sign a completion certificate recording this and we shall return the Handback Bond to the DBO Contractor within ten business days of the date of the completion certificate.

Any dispute between the parties in respect of the handback provisions shall be resolved in accordance with the dispute resolution mechanisms set out in the DBO Agreement.

### ***Governing Law and Dispute Resolution***

The DBO Agreement is governed by and construed in accordance with the Federal Laws and the laws of the Emirate of Abu Dhabi.

Disputes that cannot be resolved through negotiation will be subject to resolution by a third-party engineer in the case of technical disputes or by arbitration in the city of Abu Dhabi under the Rules of the ICC by a panel of three arbitrators whose award will be final and binding.

If a party is dissatisfied with the decision of the third-party engineer, the decision of the underlying dispute may be settled by arbitration. The decision of a third-party engineer regarding a dispute is final and binding unless written notice of dissatisfaction with the decision is given by one party to the other party, with a copy to the third-party engineer, within 30 days of such party's receipt of the third-party engineer's decision, in which event such dispute may be settled by arbitration *provided that* a party commences such arbitration within 60 days from the date of the receipt by a party of the written notice of dissatisfaction. If no arbitration is commenced within 60 days of the issuance of the notice of dissatisfaction, the third-party engineer's decision will be final and binding upon the parties, notwithstanding the notice of dissatisfaction given by a party.

### **New RO Plant Membrane Supply Agreement**

The New RO Plant Membrane Supply Agreement (the "MSA") was entered into as at July 25, 2012 between Acciona Agua S.A.U. (the "Contractor") and Toray Membrane Europe AG (the "Membrane Supplier") in respect of the design, manufacture, testing, delivery supply and warranty of all of the membranes necessary for the operation of the New RO Plant and the provision of certain related services. The below summarizes key provisions of the MSA following the New RO Plant Commercial Operation Date and therefore does not cover pre- New RO Plant Commercial Operation Date provisions and obligations.

#### ***Term***

The term of the MSA began on July 25, 2012 and will expire on the eighth anniversary of the New RO Plant Commercial Operation Date.

#### ***Performance Security***

As per the requirements of the MSA, the Membrane Supplier delivered in favor of the Contractor a performance security, which is an irrevocable and unconditional on demand guarantee to secure the performance of the Membrane Supplier's obligations under the MSA. The performance security will not expire prior to the end of the term. If the Membrane Supplier breaches any of its obligations or defaults under the MSA, the Contractor may call upon the performance security to satisfy any losses, damages, costs and expenses as may become due to the Contractor as a result of such default or breach.

#### ***Membrane Supplier's Obligations***

Pursuant to the requirements of the MSA, the Membrane Supplier must deliver all the membranes and perform all the services in accordance with the milestones set forth in the MSA. The services and obligations include, among others:

- (a) design and manufacture the membranes pursuant to the terms of the MSA in a proper and workmanlike manner in accordance with internationally recognized standards of workmanship and good practice within the seawater

desalination industry. The membranes, whether standard or specially designed and manufactured, shall strictly comply with the terms of the MSA so that they are fit and sufficient for the purpose for which they are intended;

- (b) as specifically requested in the appendix to the MSA relating to inspections and tests or as necessary to guarantee the performance of the membranes and compliance with the conditions set forth in the MSA, prior to delivery:
  - (i) perform all tests, including the factory tests, inspections, and adjustments required by the MSA;
  - (ii) secure all the relevant completion certificates, in particular those showing actual dimensions, all test reports and all licenses necessary for the membranes; and
  - (iii) supply additional membranes each time the Membrane Supplier receives an instruction from the Contractor, during the RO plant pre-operations period, or the RO operation, with respect to the RO emergency membrane stock and during the RO plant operations period, within 60 days from the date of issuance of the instruction;
- (c) ensure that the membranes meet the performance guarantees for the term of the MSA and make good and/or replace any membrane, at its own cost, as may be required to ensure the performance of the membranes meets the performance guarantees;
- (d) provide the warranted membrane replacement rate for contract year 1 through contract year 7, inclusive;
- (e) co-operate with the Contractor to maximize the performance of the membranes during the term of the MSA;
- (f) ensure that the membranes are free from defects in workmanship and material for the warranty period;
- (g) warrant that the water quality outlet of the membranes meets the performance guarantees and undertake to replace any defaulting membrane if not; and
- (h) during the handback test of the RO plant membranes, assist the Contractor with the joint inspection and witness test to assess the condition of the membranes. This assistance on site shall be free of any charge up to a maximum of five days.

The Membrane Supplier must, throughout the term and at its own cost, maintain the policies of insurance specified in the MSA. If the Membrane Supplier fails to effect and keep in force any of the requested insurances or fails to provide evidence of insurance when required, the Contractor may effect and keep in force any such insurance and may deduct the amount paid from any monies due or to become due to the Membrane Supplier. The insurances that the Membrane Supplier must maintain pursuant to the MSA include:

- (a) insurance of goods/equipment; and
- (b) insurance for services on site.

#### ***Delay in Milestones; Delay Liquidated Damages***

If the delivery of the membranes or the provision of services is at any time in the Contractor's opinion (except in respect of the RO emergency membrane stock during the RO plant pre-operations period) is unlikely to comply with the milestones set forth in the MSA, the Contractor must notify the Membrane Supplier who must take, at its own cost, all the steps necessary to ensure compliance with such milestones.

If the Membrane Supplier fails to deliver the RO initial membrane stock in accordance with the applicable milestones it shall be liable for delay liquidated damages in accordance with the provisions of the MSA.

If the Membrane Supplier fails to deliver any membranes in accordance with the applicable milestones it shall be liable for delay liquidated damages in accordance with the provisions of the MSA.

#### ***Delivery and Risk of Loss; Transfer of Title***

The Membrane Supplier, at its own cost and expense, and upon at least fourteen days prior written notice, shall be responsible for delivering each applicable membrane to the Contractor.

The Membrane Supplier shall bear the cost of any loss, damage or deterioration to the membranes arising from inadequate marking, packing or protection and indemnify the Contractor against all loss, damages, costs, and expenses suffered or incurred by the Contractor, arising from such loss, damage or deterioration.

Until such time as the Membrane Supplier has delivered each membrane, the Membrane Supplier shall be responsible for the care and custody of each such membrane and shall be liable for the risk of loss or damage to each such membrane. The Membrane Supplier shall also be responsible for the care of any membrane upon which any outstanding work, test or defect rectification is being performed pursuant to the applicable provisions of the MSA by the Membrane Supplier until completion of such outstanding work, test or defect rectification.

The title to each membrane, and any other equipment or parts delivered hereunder, shall pass from the Membrane Supplier to the Contractor upon delivery at the delivery point, unless payment is made prior to delivery, when it shall pass to the Contractor once payment has been made. Where progress payments are provided for in the MSA, the title in the Goods or the unfixed goods or materials in respect of which a progress payment is made shall pass to the Contractor once such payment has been made.

The Membrane Supplier warrants good title to the membranes and other equipment or parts furnished under the MSA, and the Membrane Supplier warrants that title and ownership thereto shall pass to and vest in the Contractor free and clear of any and all liens, claims, charges, security interests, encumbrances and rights of other persons arising as a result of any actions or failure to act of the Membrane Supplier, its subcontractors or vendors. This title warranty is the exclusive title warranty applicable to the MSA and is in lieu of any other title warranties, whether written, oral, implied or statutory. However, transfer of title under the MSA shall not affect the Membrane Supplier's obligations under the other provisions of the MSA.

### ***Warranties***

The Membrane Supplier warrants to the Contractor that:

- (a) each membrane shall:
  - (i) in all material respects, achieve all results and parameters and meet all the requirements and specifications, as set out in the MSA;
  - (ii) be new and free from defects in design, engineering, materials, manufacturing and workmanship; and
  - (iii) in all material respects, conform with all applicable laws in effect as at the time of shipment;
- (b) the services shall be performed in a competent and diligent manner in accordance with accepted professional standards and in conformity, in all material respects, with the requirements of the MSA and all applicable laws in effect on the date of performance; and
- (c) the sale and use of any membrane will not infringe any intellectual property rights and that it will indemnify the Contractor against any liability that may occur as a result of such an infringement.

In respect of the RO initial membrane stock, the RO emergency membrane stock, any replacement membranes or any additional membranes, these warranties will commence on the date of delivery of such membranes and will last until the end of the term, and any replacement membranes or additional membranes installed in contract year 8 will carry a workmanship and materials warranty for a further 24 months beyond the end of the term (the "**Warranty Period**").

If during the Warranty Period any membrane or services do not conform to the warranties or do not achieve the performance guarantees, the Membrane Supplier must, upon notification from the DBO Contractor and at no cost to the DBO Contractor, either promptly correct such membrane or services or repair, replace or modify such membrane or services so as to ensure conformity with the warranties. The Membrane Supplier shall bear the costs of replacing membranes in excess of the warranted membrane replacement rate. Such repairs and replacements will be subject to the warranties set out above. The Membrane Supplier shall indemnify the Contractor against all liabilities, damages, costs and other compensation payable by the Contractor in connection with any third party claims that arise as a result of or in connection with a breach of the above warranties given by the Membrane Supplier.

If the Membrane Supplier fails to perform any warranty work in accordance with the requirements of the MSA, the Contractor can perform, or caused to be performed, such work at the Membrane Supplier's expense. Failure by the Membrane Supplier to remedy any defect within a reasonable period of time, as determined by the Contractor, will enable the Contractor to terminate the MSA.

### ***Contractor's Responsibilities***

The Contractor shall be responsible for the following:

- (a) pay the Membrane Supplier in accordance with the applicable provisions of the MSA;
- (b) provide feedwater water in the quantity and of the quality specified in the MSA;
- (c) provide the Membrane Supplier with reasonable access to the site;
- (d) comply with the cleaning, flushing and mothballing procedures for the membranes set forth in the MSA;
- (e) comply with the dry storage procedures for the membranes set forth in the MSA;
- (f) provide the Membrane Supplier with notice of the installation of any replacement membranes;
- (g) install any replacement membranes;
- (h) perform the commissioning tests in accordance with the MSA;
- (i) comply with the mandatory operating conditions;
- (j) provide the Membrane Supplier with:
  - (i) the membrane replacement plan estimated prior to the commencement of each period; and
  - (ii) notice of any change in such membrane replacement plan prior to the commencement of such plan;
- (k) at the request of the Membrane Supplier, provide documentation as needed and as it is reasonable; and
- (l) at the prior request of the Membrane Supplier, retain for a period of no longer than 90 days, any replaced or failed membrane.

### ***Force Majeure and Government Action or Inaction***

The FME and EGAI provisions of the DBO Agreement are incorporated by reference into the MSA.

### ***Indemnification***

Each party (the "**Indemnitor**") agrees to indemnify the other party and its shareholders, agents, officers, directors, partners and employees (the "**Indemnitied**") against all claims in respect of:

- (a) the sickness, injury or death of any person employed by such Indemnitied;
- (b) damage to or destruction of any property of such Indemnitied; and
- (c) matters referred to in paragraphs (a) and (b) in the case of a third party,

in consequence of:

- (i) any negligent act or omission or any violation of any legal requirements by such Indemnitor or any of its agents, officers, directors or employees;
- (ii) a breach of the MSA by such Indemnitor; or
- (iii) a material misrepresentation made by such Indemnitor pursuant to the MSA,

*provided that* such Indemnitor will have no indemnification obligations if the claim arises due to the negligence, misconduct or breach of the MSA by such Indemnitied or if such Indemnitied are compensated for a claim pursuant to an insurance policy.

### ***Termination Rights***

If the Membrane Supplier:

- (a) becomes, voluntarily or involuntarily, the subject of an insolvency event;
- (b) fails to comply with any of its material obligations under the MSA for a period of at least 30 days; or
- (c) we require the Contractor to remove the Membrane Supplier pursuant to the provisions of the DBO Agreement,

then the Contractor is entitled to terminate the Membrane Supplier's employment under the MSA.

Instead of terminating the MSA, the Contractor may accept partial performance by the Membrane Supplier of its obligations and may perform on its own, or via a third party, perform the remaining obligations and/or remedy any defects in the membranes or the services.

### ***Effect of Termination***

If the Contractor terminates the Membrane Supplier's employment as detailed in "*—Termination Rights*", the Contractor shall not be liable to pay the Membrane Supplier any further amounts (including any damages) in respect of the MSA (except in the case of paragraphs (b) and (c) of "*—Termination Rights*") until the costs of completion and remedying any defaults, defects, delay liquidated damages (if any) and other expenses incurred by the Contractor in relation to the membranes and the services have been ascertained. The Membrane Supplier shall then be entitled to receive only such sum as would have been payable to the Membrane Supplier after deducting any such costs and expenses incurred by the Contractor.

If the Contractor terminates the Membrane Supplier's employment under paragraph (c) of "*—Termination Rights*" it shall be liable to pay to the Membrane Supplier an amount as described in "*—Termination for Convenience*".

If the Contractor terminates the Membrane Supplier's employment under paragraph (b) of "*—Termination Rights*", the Contractor may require from the Membrane Supplier the repayment of any part of the price which has been paid, and compensation for all damages, losses, costs and expenses suffered or incurred by the Contractor.

### ***Termination for Convenience***

The Contractor may, upon giving fourteen days' notice to the Membrane Supplier, terminate the MSA, in which case the Contractor will only be required to pay the costs reasonably and actually incurred by the Membrane Supplier, as further described in the MSA.

### ***Suspension of Membrane Supplier***

The Contractor can suspend at any time the performance by the Membrane Supplier of any or all of its obligations and the Membrane Supplier must take all the necessary steps to comply with the requirements of the MSA. The Membrane Supplier must immediately resume performance of its suspended obligations upon notice from the Contractor. The Membrane Supplier will not be entitled to any additional payment or any adjustment to the price due to such suspension.

### ***Limitation on Liability***

Subject to the provisions of the MSA, neither party is liable to the other party for any consequential loss.

The aggregate amount of the Membrane Supplier's liability over the term will not exceed 100% of the contract price. This liability cap shall not apply to:

- (a) the express liability of the Membrane Supplier related to liquidated damages for delay and any amounts payable pursuant to the Membrane Supplier's indemnification obligations under the MSA;
- (b) fraud, willful misconduct, illegal or unlawful acts of the Membrane Supplier or its affiliates, its subcontractors or any of their respective employees;
- (c) claims and liabilities in respect of the infringement by the Membrane Supplier (or its subcontractors) of the intellectual property rights of others; or

- (d) any liability satisfied by the proceeds of the Membrane Supplier's insurance policies required to be maintained pursuant to the MSA.

### ***Assignment***

Neither party may assign in whole or in part the MSA without the consent of the other party except that the MSA may be assigned:

- (a) by us;
- (b) by the Contractor to us; or
- (c) to the successor of any of the parties thereto or to any entity acquiring our project or all or a controlling interest in the business assets of such party or to a wholly owned subsidiary of any of the parties thereto.

Except in the case of an assignment to any financing party, no assignment of the MSA shall be valid until all obligations of the assignor thereunder shall have been assumed by the assignee.

### ***Governing Law and Dispute Resolution***

The MSA is governed by and construed in accordance with the laws of Spain. Disputes that cannot be resolved through negotiation within 28 days from the date on which one party receives notification from the other party that a dispute exists will be subject to resolution by arbitration in Madrid, Spain under the rules of arbitration of the Chamber of Commerce of Madrid and the award of the arbitrators shall be final and binding.

### **Transco Connection Agreement**

UWEC (the "User") and Transco (the "Company") entered into the connection, use of system and interface agreement for the Original Fujairah Plant on October 1, 2005 (the "Transco Connection Agreement"). The Transco Connection Agreement provides, among other things, for the connection of the User's equipment at one or more connection sites for the Transmission System and payment by the User of the charges and enforcement of the Transmission Code as between the User and the Company. The Transco Connection Agreement was assigned to us by UWEC on September 26, 2006 and was amended by a first addendum dated March 19, 2008 pursuant to which, *inter alia*, the 400/132 kV Transco Grid Station was added to the scope thereof. The Transco Connection Agreement was further amended by a second addendum dated September 21, 2015 pursuant to which the New RO Plant was added to the scope thereof.

### ***Term***

The Transco Connection Agreement is valid from October 1, 2005 until it is terminated:

- (a) by the Company by notice to the User following the occurrence and continuation of a User event of default;
- (b) by User by notice to the Company no less than six months prior to the User's intention to disconnect the equipment at every remaining connection site;
- (c) if, following a User event of default which is continuing six months after the later of de-energization and/or disengagement and the conclusion of the dispute resolution procedure in favor of the Company, as set out in the Transco Connection Agreement, the Company chooses to disconnect all the equipment at such connection site where it is connected; or
- (d) upon the disposal by the User of all or parts of its business and the transfer of its rights and obligations under the Transco Connection Agreement to a third-party under the circumstances discussed below.

### ***Rights and Obligations***

The User has the right for the equipment to be and remain connected to the Transmission System at a connection site and to be and remain energized, engaged and operational for the duration of the Transco Connection Agreement. The User is obligated to pay the Company for water and electricity delivered through the exit connection site(s) in accordance with Schedule C to the Transco Connection Agreement.

The Company is obligated to:

- (a) accept into the Transmission System at an entry connection site electricity generated and water produced by the User up to the maximum export capacity; and
- (b) transport electricity and water to the exit connection site through the Transmission System up to the connection site demand capability, except to the extent the Company is prevented from doing so by transmission constraints or insufficiency of generation or desalination, as applicable, which in either case could not be avoided by the exercise of Good Industry Practice.

To be accepted by the Company into (or by the User out of) the Transmission System, water must be delivered at the point of connection of each entry connection site (or each exit connection site) in accordance with the water entry specification (or the water exit specification). The Company or the User can refuse to accept all or part of the nonconforming water until the deficiency has been remedied but if either the Company or the User accepts to use all or part of nonconforming water delivered by the other party, such other party is obligated to indemnify the party accepting delivery against all losses, costs, expenses and liabilities incurred in accepting such nonconforming water into the Transmission System or the User's system, as the case may be.

Each party is obligated to comply with the provisions of the Transmission Code and certain other relevant codes in so far as applicable to that party unless the Regulation and Supervision Bureau has issued directions relieving such party from compliance.

### ***Modifications and New Connection Sites***

No party can make a modification unless the parties agree otherwise pursuant to the requirements and procedure set out in the Transco Connection Agreement.

The User must submit to the Company a connection application if it wishes to connect a new connection site. The Company must make an offer to the User within three months of such application. If the offer is accepted, the connection shall proceed according to the terms of the connection offer and the requirements of the Transco Connection Agreement. Disputes regarding the making, refusal to make, terms or acceptance of a connection offer are determined by the Regulation and Supervision Bureau.

### ***User's Default***

A User event of default occurs if the User:

- (a) fails to pay any amount due to the Company and such failure continues uncured for seven business days after the due date;
- (b) has its license revoked or ceases to carry on its business in the licensed activities; or
- (c) has been adjudicated insolvent or if its general assembly passes a resolution to wind up the User or if the User suffers a loss of 50% of the share capital and a resolution to wind up the User is passed by the shareholders representing at least 25% of its share capital.

An event of default, as described above, entitles the Company, upon 48 hours' notice to the User, to de-energize and/or disengage all of the equipment, subject to the User's right to submit the matter to the dispute resolution procedure pursuant to the Transco Connection Agreement. If such event of default is continuing six months after the later of de-energization and/or disengagement and the conclusion of the dispute resolution procedure is in favor of the Company then the Company may disconnect all of the User's equipment at each connection site and, *inter alia*, the Transco Connection Agreement will terminate.

If a breach which led to de-energization and/or disengagement, pursuant to the provisions set out below, remains unremedied for six months or more after the date of such de-energization and/or disengagement, the Company may by notice to the User declare that such breach has become an event of default *provided that* any dispute on this matter has been determined in favor of the Company pursuant to the dispute resolution procedures set out in the Transco Connection Agreement. Following the giving of such notice, the Company may give notice of termination to the User whereupon the Transco Connection Agreement will terminate and the parties shall undertake the steps set out in the Transco Connection Agreement in respect of disconnection, removal of equipment and Company's assets and payments of all amounts due and payable.

### ***De-energization and Disengagement***

If the User is in breach of any of the provisions of the Transco Connection Agreement or the Transmission Code and such breach causes or can reasonably be expected to cause a material adverse effect on the business or condition of the Company, other users, the Transmission System or other users' systems then the Company may:

- (a) if the breach is capable of remedy, give written notice to the User specifying the nature of the breach and requiring it to remedy it within 28 days; or
- (b) if the breach is incapable of remedy, require the User to undertake to the Company within five business days not to repeat the breach.

If the User fails to comply with:

- (a) any notice served by the Company or breaches any undertaking given, as detailed above, and such breach causes or can reasonably be expected to cause a material adverse effect on the business or condition of the Company or other users or the Transmission System or other users' systems or no undertaking has been given within the time frame specified above, the Company may, upon the expiry of at least 48 hours prior written notice, de-energize or disengage the equipment, *provided that* if either party has submitted the matter to the dispute resolution procedure as set out in the Transco Connection Agreement, the Company may only disengage following completion of such procedure and final determination in its favor; or
- (b) the Transmission Code and the Regulation and Supervision Bureau makes an order against the User and the User breaches such order then the Company may, upon the expiry of at least 48 hours prior written notice, de-energize or disengage the users' equipment.

If a breach by the User continues to the extent that it places or seriously threatens to place in the immediate future the Company in breach of its transmission license, the Company may de-energize or disengage the Equipment upon giving twelve hours' written notice.

The Company may de-energize and/or disengage the equipment if in its reasonable opinion the condition or manner of operation of the transmission system or the User's system poses an immediate threat of injury or material damage to any person, the total system, any User's system or the Transmission System and if such measure is necessary or expedient to avoid the occurrence of such injury or damage.

Similarly, the User may de-energize and/or disengage the equipment if in its reasonable opinion the condition or manner of operation of the Transmission System, the total system or any of the User's system, poses an immediate threat of injury or material damage to any person or to the User's system and if such measure is necessary or expedient to avoid the occurrence of such injury or damage.

### ***Disconnection and Decommissioning of Equipment***

The User must give at least six months' written notice to the Company of its intention to decommission or disconnect any equipment at a connection site.

If written notice to disconnect is given by the User, upon expiry of the period specified in such notice, the User may disconnect the equipment. The Transco Connection Agreement terminates where following such disconnection the User has no equipment connected to the Transmission System at any connection sites, and the User must pay to the Company all amounts then due and payable within 28 days of disconnecting equipment at a connection site, or where appropriate, after termination of the Transco Connection Agreement. Within six months of the date of such disconnection or termination (or such longer period as may be agreed between the parties), the parties will arrange to remove any of the equipment and the Company's assets on the User's land.

If written notice to disconnect is given by the User, upon expiry of the period specified in such notice, the User may decommission the equipment *provided that* the Transco Connection Agreement shall not terminate and all charges payable by the User shall continue to be payable in full.

### ***Transfer of Business by the Project Company***

The User cannot assign or transfer the benefit or burden of our plant connection site without the prior written consent of the Company except as set out below.

- (a) Upon the disposal by the User of the whole or a part of its business or undertaking, the User has the right to transfer its rights and obligations under the Transco Connection Agreement to the purchaser thereof on condition that:
- (i) the purchaser, if not an other user, enters into a new agreement on terms and conditions similar to the Transco Connection Agreement with the Company; and
  - (ii) either:
    - (A) confirms to the Company in writing that all of the technical or related conditions, data, information, operational issues or other matters specified in or pursuant to the Transmission Code will remain unchanged;
    - (B) any proposed changes are reasonably satisfactory to the Company; or
    - (C) have been determined to be satisfactory as a result of the submission of the dispute to the dispute resolution procedure as set out in the Transco Connection Agreement.
- (b) The User may assign or charge its benefit under the Transco Connection Agreement, in whole or in part, by way of security.

Each of the Company and the User can subcontract its obligations under the Transco Connection Agreement without the prior consent of the other party.

### ***Force Majeure***

If a force majeure event prevents a party from performing its obligations under the Transco Connection Agreement, the Transco Connection Agreement will remain in effect but the non-performing party's obligations and the obligations of the other party owed to the non-performing party will be suspended for the duration of the force majeure event.

### ***Limitation of Liability***

No party or its officers, employees or agents shall be liable to the other party for, *inter alia*, indirect or consequential loss, loss of profit or revenue or any loss of any type, howsoever arising, in excess of AED 10,000,000 in respect of any one claim or a series of claims.

Death or personal injury resulting from the negligence of a party or its officers, employees or agents will require such party to indemnify the other party and that other party's officers, employees or agents from and against all loss or liability that arose as a result of any claim on account of death or personal injury resulting from such negligence.

### ***Governing Law and Dispute Resolution***

The Transco Connection Agreement is governed by and construed in accordance with the Federal Laws and the laws of the Emirate of Abu Dhabi. Disputes are subject to resolution by arbitration in the city of Abu Dhabi under the Rules of the ICC by a panel of three arbitrators whose award will be final and binding. Subject to this arbitration procedure and unless the Transco Connection Agreement provides for proceedings to be determined in another manner, the courts of the Emirate of Abu Dhabi have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Transco Connection Agreement or the Transmission Code and accordingly any proceeding arising out of or in connection with the Transco Connection Agreement may be brought in such courts.

### **Contractual Services Agreement**

The contractual services agreement was entered into on October 10, 2006 by and between GEIOC and the Operator (the "**Contractual Services Agreement**") setting out the terms under which the CSA Contractor is to provide long-term maintenance services for the five gas turbines described in the Contractual Services Agreement (the "**Covered Units**"). The Covered Units include four 9E gas turbines (the "**Existing Units**") and one 9FA gas turbine (the "**New Unit**").

As of August 1, 2016, GEIOC assigned its rights under the Contractual Services Agreement and delegated the performance of GEIOC's obligations under the Contractual Services Agreement to GEGS (the "**CSA Contractor**").

## ***Term***

The Contractual Services Agreement became effective on October 10, 2006 and will expire, unless terminated earlier, on the first to occur of the following:

- (a) the date upon which every Covered Unit reaches its performance end date;
- (b) the 23<sup>rd</sup> anniversary of the effective date; and
- (c) the 20<sup>th</sup> anniversary of the commercial operation date of the New Unit.

## ***CSA Contractor's Responsibilities***

The CSA Contractor is responsible for providing, among others, the following services:

- (a) undertaking the planned maintenance, as and when agreed, of each Covered Unit;
- (b) undertaking any necessary unplanned maintenance as and when necessary;
- (c) carrying out the extra work, subject to the approval of the Operator, which includes:
  - (i) repairing or replacing inspect only components; and
  - (ii) remedying defects arising from parts or services provided by parties other than the CSA Contractor or its subcontractors;
- (d) delivering any training if so requested by the Operator; and
- (e) appointing a contract performance manager, who will be the main point of contact for the Operator.

During the term of the Contractual Services Agreement, the CSA Contractor shall maintain the following insurance coverage:

- (a) workers' compensation;
- (b) automobile liability;
- (c) commercial general liability or public liability; and
- (d) employer's liability.

## ***Operator's Responsibilities***

The Operator is responsible for:

- (a) performing routine maintenance upon, and operating, the Covered Units and the facility in compliance with the specifications included in the Contractual Services Agreement;
- (b) ensuring that none of the parts is used on any equipment other than the Covered Units;
- (c) performing or making available to the CSA Contractor the items listed as buyer's support obligations; and
- (d) maintaining records concerning operation of the Covered Units and facility and the performance of all maintenance undertaken by the Operator and, upon request, enabling the CSA Contractor to review such records.

During the term of the Contractual Services Agreement, the Operator shall maintain, among others, the following insurance coverage:

- (a) workers' compensation;
- (b) commercial general liability or public liability; and

- (c) employer's liability.

### **Price**

In consideration for the services rendered, the Operator pays to the CSA Contractor the quarterly payments, which consist of the monthly fees for the three months of the applicable quarter. The estimated applicable performance bonus or applicable credit for liquidated damages for a calendar year will be included in the quarterly payment for the last quarter of such year.

The monthly fee for the second and third months of each quarter will be assumed to be equal to that of the first month of the same quarter. Any differences between the assumed second and third monthly fees of the previous quarter and the actual second and third monthly fees will be adjusted in the following quarterly payment.

Each monthly fee is composed of a fixed monthly fee and a variable monthly fee. For the New Unit, the fixed monthly fee is US\$97,980 per Covered Unit and the variable monthly fee is US\$250 for operation above 4,000 factored fire hours per calendar year and after this benchmark is exceeded, such fee in any calendar month is calculated by multiplying the number of factored fired hours used in that month by US\$250. For the Existing Units, the fixed monthly fee is US\$5,000 per Covered Unit and there is no variable monthly fee.

The Operator pays the CSA Contractor a factored hours adder fee and such amount is added to the quarterly payment payable six months prior to the anticipated commencement of the applicable factored fire hours interval in respect of the New Unit) and the factored fire hours (in respect of the Existing Units). Until the factored hours adder fee is received, the CSA Contractor has no obligation in respect of planning the next applicable planned maintenance event. The amount of the applicable factored hours adder fee is as detailed in the Contractual Services Agreement.

The price for certain payments are subject to escalation in accordance with the Contractual Services Agreement.

If the Operator fails to fulfill any payment obligations or if its financial condition materially deteriorates to the extent that it has a material adverse effect on the Operator's ability to fulfill its payment obligations, the CSA Contractor may suspend performance, delivery and/or application of any guaranteed performance commitment and/or may require advance payment/ Any costs incurred by the CSA Contractor in relation to such suspension will be payable by the Operator.

If the CSA Contractor provides extra work under the Contractual Services Agreement, such work shall be provided at time and material rates (and any discounts thereon) in effect at the time it is being performed.

### **Warranties**

The CSA Contractor warrants to the Operator that:

- (a) the parts delivered are free from defects in material, workmanship and title; and
- (b) the services performed are so performed in a competent and diligent manner and in accordance with industry practice.

The warranties in respect of the parts will expire the earlier of:

- (a) one year after first use of such part; or
- (b) three years after the date of delivery.

The warranties in respect of the services will expire one year after their performance. If a part is found to be defective and is replaced or repaired or if a service is reformed during the warranty period then the warranty period will run afresh from the date such part is replaced or repaired or such service reformed, *provided that* the total warranty period for any repaired or replaced part or reformed service will not extend more than one year from the end of the initial warranty period.

All warranties for each Covered Unit will expire the earlier of:

- (a) one year after expiration or termination of the Contractual Services Agreement; and
- (b) one year after the performance end date of such Covered Unit.

The CSA Contractor also provides the guaranteed performance commitments, as set out in the Contractual Services Agreement.

The foregoing guarantees and warranties are exclusive and are in lieu of all other guarantees and warranties, whether written, oral, implied or statutory. No implied or statutory warranty of merchantability or fitness for a particular use applies to the Contractual Services Agreement.

The Operator warrants that all parts or services delivered to the CSA Contractor are free from defects in materials and workmanship and are performed in a competent and diligent manner.

### ***Indemnification***

Each party indemnifies the other party from any loss or expense incurred as a result of:

- (a) physical damage to property of third parties (save that in cases where the CSA Contractor is the indemnifying party, no portion of our property is considered third party property); and
- (b) bodily injury (including death) of persons,

to the extent that this directly results from the negligence of the indemnifying party or its subcontractors (in the case of the CSA Contractor) or its other contractors (in the case of the Operator).

In the event such damage or injury is caused by the joint or concurrent negligence of the Operator (or its other contractors) and the CSA Contractor (or its subcontractors), the loss or expense shall be borne by each party in proportion to its degree of negligence or the degree of negligence of its contractors or subcontractors, as applicable.

### ***Limitations of Liability***

Except in the case of extra work, the CSA Contractor's total liability to the Operator in any calendar year is limited to US\$6,100,000. The CSA Contractor's total aggregate liability under the Contractual Services Agreement will not exceed 100% of the agreement price, *provided that* such limit will not apply in case of gross negligence or willful misconduct. In circumstances where there is gross negligence or willful misconduct, the CSA Contractor's total aggregate liability will not exceed 200% of the agreement price, *provided that* the CSA Contractor's total aggregate liability under the Contractual Services Agreement on claims of any kind for all losses and damages, including losses or damages suffered due to gross negligence or willful misconduct, will not exceed 200% of the agreement price.

In respect of extra work, except in the case of gross negligence and willful misconduct, the CSA Contractor's liability for extra work will not exceed the price paid for performing such extra work.

The foregoing limitations:

- (a) do not apply to liabilities arising under the indemnities provisions of the Contractual Services Agreement; and
- (b) will end upon the earlier of the expiration of:
  - (i) the applicable warranty period; and
  - (ii) one year following termination or expiration of the Contractual Services Agreement.

The Operator's total liability to the CSA Contractor will not exceed 200% of the agreement price.

### ***EGAI or FME***

A party is not in breach or default of its obligations under the Contractual Services Agreement if the reason for not being able to performed its obligations, or being delayed in doing so, is an EGAI or FME. The date of delivery or of performance will be extended for a period equal to the time lost by reason of the EGAI or FME, subject to the approval of both parties. If the CSA Contractor is delayed by acts or omissions of the Operator or the Operator's other contractors or suppliers, the CSA Contractor will be entitled to any equitable price adjustment.

If the EGAI or FME lasts for more than twelve months, and the parties have not agreed a revised basis for continuing the work at the end of the delay, either party (save if a party's acts or omissions are causing the delay, in which case only the party not committing such acts or omissions) can terminate the Contractual Services Agreement

upon 30 days' notice.

### ***Assignment***

Neither party can transfer or assign the Contractual Services Agreement without the express written consent of the other party, except that:

- (a) the CSA Contractor can assign or novate the Contractual Services Agreement to any of its affiliate *provided that* such affiliate has the requisite capability to perform the Contractual Services Agreement; and
- (b) the Operator can assign or novate the Contractual Services Agreement to:
  - (i) its affiliates;
  - (ii) us; or
  - (iii) our financiers, *provided that*:
    - (A) such transferee has the requisite capability to perform the Contractual Services Agreement;
    - (B) such transferee is not a competitor of the CSA Contractor (*i.e.*, a person engaged in the manufacture or sale of any parts or equipment similar to those manufactured or sold by the CSA Contractor, engaged in the provision of services similar to those provided by the CSA Contractor under the Contractual Services Agreement or is an affiliate of any person engaged in the aforementioned activities; and
    - (C) such transfer does not cause the CSA Contractor to be in violation of any laws or regulations.

### ***Termination***

A party can terminate the Contractual Services Agreement if the other party:

- (a) becomes insolvent; or
- (b) materially breaches the Contractual Services Agreement and such breach is not cured within 30 days of notice from the non-defaulting party or if such breach cannot be cured within 30 days, the cure has not started within this 30-day period or the defaulting party fails to thereafter continue the diligent efforts to complete the cure as soon as reasonably possible. For any default other than non-payment, termination for default can only be exercised by giving notice within 90 days of the event giving rise to the default and effective 30 days from such notice.

If the Contractual Services Agreement is terminated pursuant to paragraph (a) or (b) above, the defaulting party must pay the non-defaulting party a termination payment based on the number of factory fired hours since the effective date of the Contractual Services Agreement (the "**Termination Amount**").

If the Contractual Services Agreement is terminated pursuant to paragraph (a) or (b) above or due to a prolonged (*i.e.*, lasting for more than twelve months) EGAI or FME, the Operator must pay the CSA Contractor all payments required for the CSA Contractor's performance prior to the effective date of termination and all payments due prior to such termination must also be paid.

If the Contractual Services Agreement is terminated subsequent to termination of the O&M Agreement as a result of the Operator's breach thereof, the Operator must pay to the CSA Contractor the Termination Amount.

### ***Governing Law and Dispute Resolution***

The Contractual Services Agreement is governed by and construed in accordance with the Federal Laws and the laws of the Emirate of Abu Dhabi. If a dispute cannot be resolved through negotiation, at a meeting of regional operation managers of the parties or by non-binding mediation, it will be finally settled by arbitration. Arbitration will be held in Paris, France under the Rules of the ICC by a panel of three arbitrators whose award will be final and binding.

### **CSA Parent Company Guarantee**

GE (the “**CSA Parent Company Guarantor**”) issued a guarantee (the “**CSA Parent Company Guarantee**”) pursuant to the Contractual Services Agreement on November 17, 2006 for the benefit of the Operator. The CSA Parent Company Guarantee was updated and re-issued in April 18, 2016 to reflect the assignment of GEIOC’s obligations under the Contractual Services Agreement to GEGS

The CSA Parent Company Guarantor guarantees to the Operator that if the CSA Contractor fails to fulfill its obligations under the Contractual Services Agreement, the CSA Parent Company Guarantor will perform any necessary steps or actions necessary to ensure these obligations are met and will indemnify the Operator for any losses, damages, costs or expenses that arise as a result of the CSA Contractor failing to perform its obligations under the Contractual Services Agreement. The CSA Parent Company Guarantor’s liability is limited as per the provisions set out in the Contractual Services Agreement.

The obligations of the CSA Parent Company Guarantor will continue to be in full force and effect, even after the expiry or termination of the Contractual Services Agreement, until all of the CSA Contractor’s obligations thereunder have been fully discharged.

If a dispute under the Contractual Services Agreement relating to a performance claim under the CSA Parent Company Guarantee is submitted to arbitration, the obligations under the CSA Parent Company Guarantee will be suspended until an arbitral decision is made. Any award resulting from such arbitration will be final and binding for the purposes of determining the CSA Parent Company Guarantor’s obligations under the CSA Parent Company Guarantee.

The CSA Parent Company Guarantee is governed by and construed in accordance with the laws of the State of New York, United States.

## DESCRIPTION OF THE BONDS

*The Bonds will be issued under the Indenture to be entered into among us, Citibank, N.A., London Branch as Bond Trustee and Paying Agent and Citigroup Global Markets Deutschland AG as Registrar and Transfer Agent (the “Indenture”). Copies of the Indenture will be available for inspection at the offices of the Bond Trustee in London, England as described under “Available Information”. The following summary is intended to be an overview of the material provisions of the Bonds and the Indenture and certain material provisions of the Common Terms Agreement, and is subject to and qualified in its entirety by reference to those documents. Since this description is only a summary, you should refer to the Bonds, the Indenture, the Common Terms Agreement and the other Finance Documents for a complete description of your and our rights and obligations. The Bondholders are bound by, and are deemed to have notice of, the provisions of such documents.*

### General

The Indenture allows us to issue from time to time debt securities in one or more series up to a principal amount or amounts as may be authorized in accordance with the terms of the Indenture. The debt securities are to have such terms and provisions as we may determine, which are not inconsistent with the Indenture and the other Finance Documents, including, without limitation, as to maturity, principal, interest, offering price, maximum aggregate principal amount, premiums, redemption, repayment, indexation and issuance in whole or in part in global, certificated or registered form. The aggregate principal amount of any additional series of debt securities that may be issued under the Indenture from time to time is unlimited.

The debt securities being offered hereby and any additional series of bonds issued pursuant to the Indenture are referred to herein as the “**Bonds**”. The Bonds will be secured by the Security described below in “*Summary of Principal Finance Documents*” and the Bond Trustee has been appointed as bond trustee for the Bondholders.

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939 (the “**1939 Act**”). Consequently, the Bondholders generally will not be entitled to the protections provided under the 1939 Act to the Bondholders issued under a qualified indenture. In addition, pursuant to the intercreditor provisions of the Common Terms Agreement, the Bondholders’ ability to initiate suit for the enforcement of payment of principal, interest, premium, if any, and other amounts with respect to the Bonds will be more limited than as provided under the 1939 Act. See “*Risk Factors—Risks Relating to the Bonds—The Bondholders’ ability to exercise remedies under the Indenture and the Common Terms Agreement may be limited*”.

### The Bonds

The Bonds offered hereby will be in an aggregate principal amount of US\$400.0 million and will mature on August 1, 2035. The Bonds will be issued pursuant to the Indenture in registered form only and in minimum denominations of US\$200,000 and any integral multiples of US\$1,000 in excess thereof.

The Bonds will bear interest at a rate of 4.450% per annum from the date of the issuance until the principal thereof (including any Additional Amounts) is paid or made available for payment. Interest will be payable semi-annually in arrears on or around February 1 and August 1 of each year commencing on February 1, 2018 and will be calculated on the basis of a 360-day year of twelve 30-day months.

Principal on the Bonds will be repayable to the person in whose name the Bond is registered on the Regular Record Date for such principal in semi-annual installments as follows:

<u>Repayment Date</u>	<u>Percentage of Original Principal Amount Payable</u>
August 1, 2029.....	6.70%
February 1, 2030.....	6.91%
August 1, 2030.....	6.93%
February 1, 2031.....	7.23%
August 1, 2031.....	7.26%
February 1, 2032.....	7.57%
August 1, 2032.....	7.67%
February 1, 2033.....	7.93%
August 1, 2033.....	7.97%
February 1, 2034.....	8.29%
August 1, 2034.....	8.34%
February 1, 2035.....	8.68%
August 1, 2035.....	8.52%

## **Bond Trustee**

We have appointed Citibank, N.A., London Branch as Bond Trustee with respect to the Bonds offered hereby. The Bond Trustee will be responsible for, among other things:

- (a) transmitting any notices or other communications to or from us, the Global Facility Agent or the Bondholders, as the case may be, as provided for, and in the manner required by, the Bond Finance Documents;
- (b) transmitting to the Bondholders notice of the occurrence of any default, as provided for, and in the manner required by, any Bond Finance Document; and
- (c) acting as agent of the Bondholders with respect to any actions required to be taken under the Common Terms Agreement.

The Bond Trustee has not participated in the preparation of this Offering Memorandum and makes no representation as to the accuracy or validity of the information contained herein.

## **Status of the Bonds**

All Bonds issued and outstanding under the Indenture rank on a parity with each other Bond, without priority or preference by reason of date of incurrence, currency of payment, identity of Bondholder or otherwise, and each Bond shall be entitled to the same benefits and security in the Indenture, the Common Terms Agreement and the other Finance Documents as each other Bond. Our payment obligations under the Bonds will rank at least *pari passu* with all our Senior Debt from time to time outstanding and will rank senior to all our present and future unsecured and unsubordinated indebtedness of the Issuer.

## **Ratings**

Prior to the issuance of the Bonds, it is expected that the Bonds will be rated A2 (stable outlook) by Moody's and A- (stable outlook) by S&P. These ratings reflect only the view of the applicable rating agency at the time the rating is issued, and any explanation of the significance of the rating may only be obtained from the relevant rating agency. There is no assurance that any credit rating will remain in effect for any given period of time or that it will not be lowered, suspended or withdrawn entirely by the applicable rating agency, if, in that rating agency's judgment, circumstances warrant the lowering, suspension or withdrawal of the rating. Any such lowering, suspension or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

## **Methods of Receiving Payments on the Bonds**

Payments in respect of the principal of, premium, if any, and interest on the Bonds will be made at the specified office of the Paying Agent in London, England and, subject to any fiscal or other laws and regulations applicable thereto, at the specified offices of any other Paying Agent appointed by us for such purpose. In certain circumstances where a Global Bond is exchanged for a Definitive Bond, we will be obliged to appoint additional Paying Agents in New York and Singapore, and where applicable, references to the "Paying Agent" include such additional Paying Agents. In respect of the interest to be paid on the outstanding Debt Securities on the Interest Payment Date falling on February 1, 2029, the Issuer shall, on January 31, 2029, unconditionally pay, or procure to be paid, to the Paying Agent, an amount in U.S. dollars sufficient to pay the interest payable on the outstanding Debt Securities to the Bondholders, as such Bondholders are indicated on the Regular Record Date immediately preceding such Interest Payment Date, on February 1, 2029. The Paying Agent will give the Bond Trustee, within five calendar days thereafter, notice of any default by any obligor upon the Bonds in the making of any payment of principal, premium and Additional Amounts, if any, or interest. The final installment of principal on the Bonds, whether at maturity or upon redemption or acceleration or otherwise, will be payable on surrender of any Bonds at the specified office of a Paying Agent.

Payments in respect of the principal of, and interest on, any Bond, on any payment date, will be made to the person in whose name such Bond is registered on the Regular Record Date immediately preceding the applicable payment date.

Neither the Bond Trustee nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Book-Entry Interests in respect of the Global Bonds or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Any payment which is due to be made under this Indenture or any other Bond Finance Document on a day that is not a business day shall be made on the next business day in the same calendar month (if there is one) or the preceding

business day (if there is not), with the same force and effect as if made on the original due date and, if such payment is timely made, no interest shall accrue for the period from and after the original due date to the date of such payment.

### **Paying Agents; Registrar**

The initial Paying Agent will be Citibank, N.A., London Branch in London, England. Any Paying Agent (other than the Bond Trustee) will hold all sums held by it for the payment of principal of, premium and Additional Amounts, if any, and interest on Bonds in trust for the benefit of the Bond Trustee and the Bondholders until such sums shall be paid to such Persons or otherwise disposed of as provided in the Indenture. During the continuance of a default, upon the written request of the Bond Trustee, a Paying Agent will forthwith pay to the Bond Trustee all sums so held in trust by such Paying Agent.

Otherwise, any payment so deposited and remaining unclaimed for one year after such principal, interest or any premium has become due and payable will be paid to us, unless otherwise required by certain mandatory provisions of the applicable law, and such Bondholder will thereafter, as an unsecured general creditor, look only to us for payment thereof, and all liability of the Bond Trustee or Paying Agent with respect to such trust money will cease.

Written notice of any change of a Paying Agent or a Paying Agent's office location shall be given by the Bond Trustee to us and the Bondholders. In the event that no such notice of change of location is given, presentations, surrenders and demands may be made and notices may be served at the Corporate Trust Office of the Bond Trustee. In no event may we appoint a principal Paying Agent in any member state of the European Union where such Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Bonds unless such Paying Agent would be so obliged if it were located in all other member states.

### **Post-Default Rate**

Upon the occurrence and during the continuance of a failure to pay any installment of principal of any Bond or any other amount (including interest) in full when due, we will pay interest on the amount past due at a rate per annum equal to the Post-Default Rate from the due date for such amount to the date of actual payment. Such amount will be paid to the Bondholders of record:

- (a) at a date not more than 25 calendar days and not less than ten calendar days prior to the date of proposed payment, and not less than 20 calendar days after the receipt by the Bond Trustee of the notice of the proposed payment and the related deposit of funds, which shall be promptly notified by the Bond Trustee to the Bondholders in accordance with "Notices"; or
- (b) in any other lawful manner which has been deemed practicable by the Bond Trustee and which is not inconsistent with the requirements of any securities exchange on which the Bonds are listed.

### **Payment of Additional Amounts in Respect of Taxes**

We will make all payments of principal, premium, if any, and interest in respect of the Bonds free and clear of, and without withholding or deduction for, any and all present or future taxes, duties, assessments, levies, imposts or governmental charges (including interest and penalties) of whatever nature imposed, levied, collected, withheld or assessed by, within, or on behalf of any taxing authority of the United Arab Emirates or the Emirate of Fujairah or any other jurisdiction where we are resident for tax purposes or conduct business, or through which such payments are made on our behalf (including the jurisdiction where a Paying Agent is located), in each case, including any political subdivision or taxing authority thereof or therein (each a "**Relevant Jurisdiction**"), unless such withholding or deduction is required by law. If withholding or deduction is so required to be made by us or on our behalf, the Bond Trustee or a Paying Agent, we will pay such additional amounts ("**Additional Amounts**") as may be necessary so that each Bondholder receives, after the applicable withholding or deduction (including any withholding or deduction from Additional Amounts), the amount it would have received had no such withholding or deduction been required. We will not be under any obligation to pay such Additional Amounts that are imposed for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
  - (i) the existence of a connection between the Bondholder or owner of a Book-Entry Interest in respect of a Bond and the Relevant Jurisdiction other than holding such Bonds, receiving payments thereunder or enforcing any available remedies thereunder, or
  - (ii) the failure of the Bondholder or owner of a Book-Entry Interest in respect of a Bond to comply with, provided it is legally entitled to do so, our reasonable timely request, addressed to the Bondholder or

owner of a Book-Entry Interest in respect of a Bond to certify or provide information concerning such Bondholder's or owner's nationality, residence, identity or connection with the Relevant Jurisdiction, if and to the extent that such certification or information is required by statute, regulation or administrative practice of the Relevant Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Bondholder;

- (b) any estate, inheritance, gift, sale, transfer, capital gains, personal property or similar tax, assessment or other governmental charge; or
- (c) any combination of taxes, duties, assessments or other governmental charges referred to in paragraphs (a) and (b) above.

Notwithstanding anything to the contrary in the preceding paragraphs, we shall not be required to pay any Additional Amounts with respect to any withholding or deduction imposed on payments made with respect to the Bonds pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

We will make any such withholding or deduction and remit the full amount deducted or withheld to the Relevant Jurisdiction in accordance with applicable law. We will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. We will furnish to the Bond Trustee, within 30 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments reasonably satisfactory to the Bond Trustee.

No later than 45 days prior to each date on which any payment under or with respect to the Bonds is due and payable, if we will be obligated to pay Additional Amounts with respect to such payment, we will deliver to the Bond Trustee an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information as is necessary to enable a Paying Agent to pay such Additional Amounts to the Bondholders on the payment date. The Bond Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

In addition, except as provided in the Indenture, we will pay and indemnify the Bondholders for any present or future stamp, issue, registration, documentary, value-added, court, excise, property or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, registration, delivery, offering, execution or enforcement of the Bonds, or any documentation with respect thereto.

The foregoing obligations will survive payment of the Bonds, any termination, defeasance or discharge of the Indenture, resignation or removal of the Bond Trustee or any Paying Agent, as the case may be, and will apply *mutatis mutandis* to any jurisdiction in which any successor of ours is organized, engaged in business or resident for tax purposes, or any political subdivision or taxing authority or agency thereof or therein.

## **Redemption Provisions**

### ***Mandatory Redemption***

Under the Common Terms Agreement, we will be required to make an offer to redeem the Bonds, subject to certain thresholds and conditions, upon receipt by us into the Insurance and Compensation Account (or our otherwise becoming aware that such proceeds have become available) of certain Capital Compensation Proceeds that may not be withdrawn.

The amounts referred to above shall be applied on a *pro rata* basis to:

- (a) prepay the Term Facility; and
- (b) be made available to make such payments as are required to be made in respect of the offers to redeem the Bonds that are accepted by Bondholders, subject to certain thresholds and adjustments as described in "*Summary of Principal Finance Documents—Common Terms Agreement—Cancellation and Prepayment—Common Mandatory Prepayment—Amount of Prepayment and Bond Redemption Offers*".

If we are required to make an offer (a “**Mandatory Redemption Offer**”) to redeem outstanding Bonds as described in the preceding paragraphs, then each Bondholder of the outstanding Bonds shall, upon the giving of a Mandatory Redemption Offer Notice by us, have the option to require us to redeem the Bonds that it holds at:

- (a) in the case of such a Mandatory Redemption Offer required to be made upon receipt of Capital Compensation Proceeds other than from PWPA Termination Amounts, 100% of their outstanding principal amount, together with interest accrued up to the Mandatory Redemption Payment Date; or
- (b) in the case where such a Mandatory Redemption Offer is required to be made upon receipt of Capital Compensation Proceeds from PWPA Termination Amounts, at a price equal to the greater of:
  - (i) 100% of the outstanding principal amount of the Bonds outstanding plus any accrued and unpaid interest, if any, thereon up to, but excluding, the redemption date; and
  - (ii) an amount equal to the sum of the net present value of the then remaining scheduled payments of principal and interest on the Bonds (but excluding that portion of any scheduled payment of interest that accrues on the redemption date), discounted to such redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate for such Bonds plus the Make-Whole Amount.

Promptly, and in any event not later than ten business days after the event giving rise to our obligation to make a Mandatory Redemption Offer, we shall give notice (a “**Mandatory Redemption Offer Notice**”) to all Bondholders of outstanding Bonds stating:

- (a) that Bondholders have the right to require us to redeem their Bonds at a redemption price in cash equal to 100% of the outstanding principal amount of such Bonds plus accrued and unpaid interest, if any, to the Mandatory Redemption Payment Date (the “**Mandatory Redemption Payment**”);
- (b) the redemption date (which shall be the day falling five business days after the end of the Mandatory Redemption Period) (the “**Mandatory Redemption Payment Date**”);
- (c) the Mandatory Redemption Period;
- (d) a brief summary of the circumstances and relevant facts giving rise to our obligation to make the offer;
- (e) that any Bond or part of a Bond not tendered or accepted for payment shall continue to accrue interest;
- (f) that, unless we default in making such payment, any Bond or part of a Bond accepted for payment shall cease to accrue interest after the Mandatory Redemption Payment Date;
- (g) that, if the aggregate principal amount of Bonds tendered by Bondholders exceeds the Mandatory Redemption Offer Amount, the surrendered Bonds shall be redeemed on a *pro rata* basis on the basis of the aggregate principal amount of surrendered Bonds, unless otherwise required by a securities exchange or by law or regulation;
- (h) that Bondholders electing to have Bonds redeemed pursuant to the Mandatory Redemption Offer may elect to have Bonds redeemed in denominations of US\$200,000 and in integral multiples of US\$1,000 in excess thereof;
- (i) that Bondholders electing to have Bonds or any part of a Bond redeemed pursuant to the Mandatory Redemption Offer will be required to surrender the Bonds, with the form (the “**Option of Holder to Elect Purchase Form**”) attached to the Bonds completed, to us or a Paying Agent at the address specified in the Mandatory Redemption Offer Notice at least three business days before the Mandatory Redemption Payment Date; and
- (j) all instructions and materials necessary to enable Bondholders to tender Bonds for redemption (which procedures must not be materially more onerous than or inconsistent with the procedures described above).

If the Mandatory Redemption Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, if any, will be paid to the person in whose name a Bond is registered at the close of business on such record date, and no additional interest will be payable to Bondholders who tender pursuant to the Mandatory Redemption Offer.

On the Mandatory Redemption Payment Date, we will, to the extent lawful:

- (a) accept for payment Bonds or portions of Bonds that are properly tendered;
- (b) deposit or cause to be deposited with the Paying Agent an amount equal to the Mandatory Redemption Payment in respect of the Bonds so tendered for payment to the relevant Bondholders by transfer to the account specified in the relevant Option of Holder to Elect Purchase Form (or otherwise as specified in the Option of Holder to Elect Purchase Form); and
- (c) deliver or cause to be delivered to the Bond Trustee the Bonds so accepted, together with an Officer's Certificate stating the aggregate principal amount of Bonds or portions of Bonds being purchased by us.

To exercise the option to require us to redeem Bonds as described above, a Bondholder must deliver the relevant Bond at the specified office of the Paying Agent within the period of 30 calendar days after the date on which a Mandatory Redemption Offer Notice is given (the "**Mandatory Redemption Period**"), accompanied by a duly signed and completed Option of Holder to Elect Purchase Form. Payment by us in respect of any Bond so delivered shall be made to the account or otherwise as specified in the Option of Holder to Elect Purchase Form by transfer to that account (or otherwise as specified in the Option of Holder to Elect Purchase Form) on the Mandatory Redemption Payment Date. An Option of Holder to Elect Purchase Form, once given, shall be irrevocable.

### ***Redemption at Our Option***

At any time, we may redeem the Bonds, in whole or in part at a redemption price equal to the greater of:

- (a) 100% of the outstanding principal amount of the Bonds to be redeemed on the redemption date plus accrued but unpaid interest, if any, up to but excluding the redemption date; and
- (b) an amount equal to the sum of the net present values of the then remaining scheduled payments of principal and interest on the Bonds to be redeemed on the redemption date (but excluding that portion of any scheduled payment of interest that accrues on the redemption date), discounted to such redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months at a discount rate equal to the Treasury Rate for such Bonds plus the applicable Make-Whole Amount,

together, in either case, with any Additional Amounts thereon, if any.

### ***Redemption for Tax Purposes without the Consent of the Bondholders***

If, at any time after the date of the initial sale of the Bonds, as a result of any change in, or amendment to, laws (including any regulations or rulings promulgated thereunder) or as a result of any change in the existing official position regarding application or interpretation of such laws, regulations or rulings, which change or amendment becomes effective after the date of the issuance of the Bonds (any such change or amendment being herein referred to as a "**Tax Law Change**"), we are required to pay Additional Amounts as described under "*Payment of Additional Amounts in Respect of Taxes*", and we determine in good faith that such obligation cannot be avoided by taking commercially reasonable measures available to us (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be commercially reasonable), we will have the option, without the consent of any Bondholder, to redeem the Bonds, in whole but not in part, at a price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest up to, but excluding, the redemption date, and any Additional Amounts.

Prior to delivery of notice of such redemption as described in "*Redemption Notices*", we will deliver to the Bond Trustee:

- (a) an Officer's Certificate stating that we are entitled to effect such redemption and setting forth a statement of facts certifying that the conditions precedent to our right to effect such redemption have occurred; and
- (b) an opinion of independent legal counsel of recognized standing to the effect that we have become or will become obligated to pay such Additional Amounts as a result of such Tax Law Change.

### ***Redemption Notices***

Subject to the Common Terms Agreement, we will notify the Bond Trustee by fax or mailed notice of any optional redemption or redemption for tax purposes at least 30 calendar days but not more than 60 calendar days prior to the redemption date specified in such notice. The Bond Trustee will, promptly upon receipt of our notice, give notice of such optional redemption or redemption for tax purposes, at our expense, to the Bondholders whose Bonds are to be redeemed. In the case of a redemption or redemption for tax purposes, no such notice of redemption may be given earlier

than 90 calendar days prior to the earliest date on which we would, but for such redemption, be obligated to pay such Additional Amounts, and at the time such notice is given, our obligation to pay such Additional Amounts must remain in effect. All such notices of redemption will state, as applicable:

- (a) the Bonds subject to redemption;
- (b) whether the Bonds are to be redeemed in whole or in part, and the aggregate principal amount of the Bonds to be redeemed;
- (c) the record date and the date of redemption, which will be no less than 30 calendar days nor more than 60 calendar days after the date on which such notice is validly given;
- (d) the redemption price, and accrued interest, if any;
- (e) if less than all of the Bonds are to be redeemed:
  - (i) the identification of the particular Bonds, or series of Bonds to be redeemed; or
  - (ii) the portion of the principal amount of each Bond to be redeemed, and a statement that, on and after the redemption date, upon surrender of such Bonds, a new Bond or Bonds of the same series and in a principal amount equal to the remaining unpaid principal amount of the Bonds will be issued;
- (f) that on the redemption date, interest on the Bonds to be redeemed will cease to accrue on and after said date;
- (g) the place or places of payment where such Bonds are to be surrendered for payment of the amount in respect of such redemption;
- (h) the clause of the Bonds and/or the clause of the Indenture or the Common Terms Agreement pursuant to which the Bonds are being redeemed;
- (i) the Common Code, ISIN or CUSIP, if any; and
- (j) that no representation is being made as to the correctness or accuracy of the Common Code, ISIN or CUSIP, if any, listed in such notice or printed on the Bonds.

If less than all of the Bonds are to be redeemed pursuant to an optional redemption or redemption for tax purposes, we will provide notification of such partial redemption to the SGX-ST.

The Bonds or portions thereof to be redeemed will, subject to a notice of redemption having been given and satisfaction of any conditions set out in such notice, become due and payable on the redemption date, and from and after such date such Bonds or portions thereof will cease to bear interest. Upon delivery by the Bond Trustee of any notice of redemption as described above, the Bond Trustee will establish a special purpose account (the “**Redemption Account**”). We will transfer, or cause to be transferred, not later than 10:00 a.m. New York time on the date of the relevant redemption, the full redemption price in U.S. dollars, which deposited (or transferred) amounts after transfer to the Bond Trustee will be held by the Bond Trustee in the Redemption Account and applied to the redemption of such Bonds on the redemption date. Upon surrender of any such Bond for redemption in accordance with the relevant notice of redemption, the Bond Trustee will pay an amount in respect of such Bond or portion thereof as provided in such notice; *provided, however, that*, any payment of interest on any Bond, the stated maturity of which is on or prior to the redemption date, will be payable to the Bondholder who is registered as such at the close of business on the related Regular Record Date according to the terms of such Bond and subject to the terms of the Indenture.

## **Covenants**

Pursuant to the terms of the Indenture, we will covenant and agree for the benefit of the Bondholders that, so long as any of the Bonds remain outstanding and until all amounts due and to become due under the Bonds are paid in full, we will duly and punctually pay the principal of, premium, if any, and interest on the Bonds in accordance with the terms of the Bonds, the Indenture and the Common Terms Agreement, and we will duly perform, observe and comply with all of our obligations, covenants and agreements set forth in the Common Terms Agreement and the other Finance Documents (except to the extent waived in accordance with the Common Terms Agreement or to the extent that such obligations, covenants and agreements are expressed not to be made for the benefit of the Bondholders or are Senior Facility Bank only covenants).

In addition, the following covenants under the Indenture will apply to us for the benefit of the Bondholders:

- (a) we will provide promptly to each Recognized Credit Rating Agency:
  - (i) such information as such credit agency may reasonably request in order to maintain the rating of the Bonds; and
  - (ii) copies of any information provided to the Global Facility Agent or the Bond Trustee for the benefit of the Bondholders pursuant to the Common Terms Agreement at the time of provision of such information to the Global Facility Agent or the Bond Trustee (or as soon as practicable thereafter);
- (b) so long as any Bonds are outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will furnish upon the request of a Bondholder or a beneficial owner of an interest therein, to such Bondholder or the beneficial owner or to a prospective purchaser of the Bonds designated by such Bondholder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request we are not a reporting company under Section 13 or Section 15(d) of the U.S. Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) thereunder;
- (c) we will use our best efforts to maintain the listing of the Bonds on the SGX-ST for so long as such Bonds are outstanding; *provided that*, if any time we determine that we are not able to list or will not maintain such listing, we will obtain, prior to the delisting of the Bonds from the SGX-ST, and thereafter use our commercially reasonable efforts to maintain, a listing of such Bonds on another internationally recognized stock exchange or exchange regulated market; and
- (d) we shall maintain insurance coverage in such amounts and covering such risks of a character that, in our reasonable opinion, are no less favorable than the insurance coverage carried by companies engaged in similar business and that own similar properties, in each case, to us, *provided that*, such insurance coverage is available to us on reasonable commercial terms (including, without limitation, cost).

We shall also grant certain affirmative and negative covenants and agreements under the Common Terms Agreement. See “*Summary of Principal Finance Documents—Common Terms Agreement—Covenants*”.

#### **Events of Default, Remedies and Waivers of Default**

The Events of Default applicable to the Bonds are described in “*Summary of Principal Finance Documents—Common Terms Agreement—Events of Default*”.

Subject to the Common Terms Agreement, upon the occurrence of any Event of Default, other than a Bankruptcy Event of Default, affecting Bonds of any series and for so long as such Event of Default is continuing, the Bond Trustee or the Bondholders holding at least 25% of the outstanding principal amount of the Bonds of that series may, and the Bond Trustee shall if so directed by an Extraordinary Resolution or by Bondholders of at least 25% of the outstanding principal amount of the Bonds, exercise the rights and remedies available in respect of the occurrence of an Event of Default under the Common Terms Agreement (unless the Bond Trustee receives instructions from the Majority Securityholders directing it not to exercise such rights or remedies).

Upon the occurrence of a Bankruptcy Event of Default, the unpaid principal amount (including premium, if any) of the relevant Bonds will become immediately due and payable without any declaration or other action on the part of the Bond Trustee or the Bondholders. The Bond Trustee, acting on the instructions of Bondholders of at least 25% of the principal amount of the Bonds (unless the Bond Trustee receives instructions from the Majority Securityholders directing it not to exercise such rights or remedies) or in accordance with an Extraordinary Resolution, will then be entitled immediately, to the extent that the Global Facility Agent has not previously been so instructed or directed, to instruct or direct the Global Facility Agent to take Enforcement Action, to the extent not inconsistent with any prior Common Remedies Instruction. See “*Summary of Principal Finance Documents—Common Terms Agreement—Events of Default*”.

At any time after a demand for payment, notification, request or action in respect of any series of Bonds has been made by the Bond Trustee as described above but before a judgment or decree for payment of the money due has been obtained, an Extraordinary Resolution may be passed to, or the Majority Series Holders of that series may, by written notice to us and the Bond Trustee (unless Bondholders holding a greater percentage of the principal amount outstanding under the Bonds are required for such rescission and annulment pursuant to the terms established under the Indenture or the Common Terms Agreement), rescind and annul any such demand for payment, notification, request or

action and its consequences (which rescission shall not affect any subsequent default or impair any right consequent thereon) if:

- (a) there has been paid or deposited with the Bond Trustee a sum sufficient to pay:
  - (i) all overdue interest on all of the Bonds;
  - (ii) the principal of and premium on any Bonds which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Bonds;
  - (iii) to the extent not prohibited by applicable law, interest upon overdue interest at the Post-Default Rate;
  - (iv) all sums paid or advanced by the Bond Trustee under the Indenture and the reasonably incurred compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel; and
- (b) all Events of Default, other than the non-payment of the principal of the Bonds which have become due solely by such demand and/or notice, have been:
  - (i) cured; or
  - (ii) waived in accordance with the Indenture and the Common Terms Agreement.

Notwithstanding any other provision in the Indenture, the ability of the Bondholders of any series or the Bond Trustee to declare the Bonds of any series to be immediately due and payable and to exercise any remedies following a declaration of acceleration or upon the occurrence of an Event of Default shall be subject to the Common Terms Agreement.

#### **Limitations on Suits**

Subject to the Common Terms Agreement, no Bondholder or owner of a Book-Entry Interest in any Global Bond of any series will have any right by virtue of such ownership of Bonds or by availing itself of any provision of the Indenture or of the Bonds to institute any action or proceeding at law or in equity or otherwise upon or under or with respect to the Indenture or for any other remedy under the Indenture or under the Bonds of any series in relation to an Event of Default other than through the Bond Trustee as described in “*Events of Default, Remedies and Waivers of Default*”, unless the Bond Trustee fails to comply with an Extraordinary Resolution or a request by Bondholders holding at least 25% of the principal amount of the Bonds of a series, and:

- (a) such Bondholder(s) shall have made written request to the Bond Trustee to take or institute such action or proceedings in its own name as trustee under the Indenture or the Bond Trustee has been made aware in writing of the Extraordinary Resolution (as applicable);
- (b) such Bondholder(s) shall have offered to the Bond Trustee such security or indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby;
- (c) the Bond Trustee for 60 calendar days after its receipt of such notice, request and offer of indemnity shall have failed to take or institute any such action or proceeding; and
- (d) no written direction (signed by Bondholders holding not less than a majority in principal amount of the Bonds of such series) or an Extraordinary Resolution inconsistent with such written request or Extraordinary Resolution has been given to the Bond Trustee during such 60 calendar day period.

#### **Defeasance**

We may elect, at our option at any time upon compliance with the conditions to defeasance set forth below, to have defeasance and discharge or covenant defeasance applied to all (and not less than all) of the Bonds of any series.

#### ***Defeasance and Discharge***

Upon our exercise of our option to have defeasance and discharge applied to the Bonds or any series of the Bonds, we will be deemed to have been discharged from our obligations with respect to such Bonds (whether under the Indenture, the Common Terms Agreement or the other Finance Documents to which we are a party) on and after the date the conditions described in “—*Defeasance—Conditions to Defeasance or Covenant Defeasance*” are satisfied

(hereinafter called “**Defeasance**”). For this purpose, such Defeasance means that we will be deemed to have paid and discharged the entire indebtedness represented by such Bonds and to have satisfied all our other obligations with respect to such Bonds (and the Bond Trustee, at our expense and request will execute proper instruments acknowledging the same), and, subject to the Common Terms Agreement, all of the Security will be released, without requiring the consent of any Bondholder, from any and all security interests held directly or indirectly for the benefit of the Bondholders whose Bonds have been so defeased, subject to following which will survive until otherwise terminated or discharged under the Indenture:

- (a) the rights of Bondholders to receive, solely from the Defeasance Trust, payments in respect of the principal of, and any premium on, Additional Amounts and interest on such Bonds when payments are due;
- (b) the rights, powers, trusts, duties, indemnities and immunities of the Bond Trustee under the Indenture;
- (c) the provisions described in “—*Defeasance*” and certain other specified provisions of the Indenture.

Subject to compliance with the provisions described in “—*Defeasance*”, we may exercise our option to have the provisions described in “—*Defeasance—Defeasance and Discharge*” applied to any Bonds notwithstanding the prior exercise of our option to have Covenant Defeasance applied to such Bonds.

### ***Covenant Defeasance***

Upon our exercise of our option to have covenant defeasance applied to any Bonds or any series of Bonds:

- (a) we will be released from our covenants and other obligations under the Indenture, the Common Terms Agreement and the other Bond Finance Documents, except for covenants and other obligations to make any payment; and
- (b) the occurrence of any event specified in “*Summary of Principal Finance Documents—Common Terms Agreement—Events of Default*” (with respect to any such defeased covenants or obligations (which exclude any covenant or other obligation to make any payment)), will be deemed not to be or result in an Event of Default, with respect to such Bonds on and after the date the conditions described in “—*Defeasance—Conditions to Defeasance or Covenant Defeasance*” are satisfied (hereinafter called “**Covenant Defeasance**”).

For this purpose, such Covenant Defeasance means that, with respect to such Bonds, we may omit to comply with, and shall have no liability in respect of, any term, condition or limitation set forth in any such covenant or obligation (to the extent so specified in the case of Events of Default), whether directly or indirectly by reason of any reference in the Indenture to any such covenant or obligation or by reason of any reference in any such covenant or obligation to any other provision in the Indenture or in any other document and all of the Security (including any trust over any of our assets, but excluding the Defeasance Trust) will be, without the consent of any Bondholder, released from any and all security interest held, directly or indirectly, for the benefit of the Bondholders whose Bonds have been so defeased, but the remainder of the Indenture, the Finance Documents and the Bonds will be unaffected thereby.

### ***Conditions to Defeasance or Covenant Defeasance***

The following shall be conditions to the application of Defeasance or Covenant Defeasance to the Bonds or any series of the Bonds:

- (a) we will have irrevocably deposited with the Bond Trustee, in trust in a location outside the United Arab Emirates (the “**Defeasance Trust**”), for the benefit of the Bondholders, cash in U.S. dollars or U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient to pay the principal of Additional Amounts, if any, and interest or redemption price on the Bonds on or prior to the stated maturities thereof or upon redemption thereof;
- (b) if any such deposit of money shall have been made prior to the stated maturity of the final installment of principal or the redemption date of such Bonds, we will have delivered to the Bond Trustee a duly executed order stating that such money will be held by the Bond Trustee, in trust, as described in “—*Satisfaction and Discharge of the Indenture*”;
- (c) in the case of redemption of Bonds, the notice requisite to the validity of such redemption will have been given, or irrevocable instructions will have been given by us to the Bond Trustee to give such notice, under arrangements satisfactory to the Bond Trustee;

- (d) we will have delivered to the Bond Trustee an opinion of independent legal counsel of recognized standing to the effect that the Bondholders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Defeasance or Covenant Defeasance, as applicable, and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Defeasance or Covenant Defeasance, as applicable, had not occurred, which opinion must, in the case of Defeasance, refer to and be based upon a published ruling of the IRS or a change in applicable U.S. federal income tax laws;
- (e) no Event of Default will have occurred and be continuing on the date of such deposit;
- (f) such Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, the Indenture or any of the other Finance Documents (including the Common Terms Agreement) or any other material agreement or instrument to which we are party or by which we are bound; and
- (g) we shall have delivered to the Bond Trustee an Officer's Certificate and an Opinion of Counsel satisfactory to the Bond Trustee which, taken together, shall state that all conditions precedent under the Indenture to such Defeasance or Covenant Defeasance have been complied with.

In the event that Bonds which will be deemed to have been paid as described in “—*Defeasance*” do not mature and are not to be redeemed within the 60-day period commencing on the date of the deposit with the Bond Trustee of monies, we will, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Bonds, to the Bondholders to the effect that we are deemed to have made full payment on such Bonds and the circumstances thereof.

All money and U.S. Government Obligations (including the proceeds thereof) held in the Defeasance Trust by the Bond Trustee in respect of any series of Bonds shall be applied by the Bond Trustee in accordance with the provisions of such Bonds, the Indenture and any other Finance Documents to which the Bond Trustee is a party to the payment, either directly or through any Paying Agent as the Bond Trustee may determine, to the Bondholders, of all sums due and to become due thereon in respect of principal and any premium and interest, but money so held in the Defeasance Trust need not be segregated from other funds except to the extent required by law.

We shall pay and indemnify the Bond Trustee and any Paying Agent against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited in the Defeasance Trust or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Bondholders.

If the Bond Trustee or a Paying Agent is unable to apply any money in accordance with the preceding two paragraphs with respect to any Bonds by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations under the Indenture and such Bonds and any other Finance Documents to which the Bond Trustee is a party from which we have been discharged or released pursuant to Defeasance or Covenant Defeasance shall be revived and reinstated as though no deposit had occurred pursuant to the condition to defeasance described in paragraph (a) above with respect to such Bonds, until such time as the Bond Trustee or Paying Agent is permitted to apply all money held in the Defeasance Trust with respect to the Bonds in accordance with the preceding two paragraphs; *provided, however, that*, if we make any payment of principal of or any premium or interest on any such Bond following such reinstatement of our obligations, we will be subrogated to the rights (if any) of the Bondholders to receive such payment from the money so held in the Defeasance Trust.

### ***Satisfaction and Discharge of the Indenture***

The Indenture will, upon our request, cease to be of further effect (except as hereinafter expressly provided), and the Bond Trustee, on our demand and at our expense, will execute proper instruments acknowledging satisfaction and discharge of the Indenture, when:

- (a) either:
  - (i) all Bonds that have been authenticated, except lost, stolen or destroyed Bonds that have been replaced or paid and Bonds for whose payment money has been deposited in the Defeasance Trust and thereafter repaid to us, have been delivered to the Bond Trustee for cancellation; or
  - (ii) all Bonds that have not been delivered to the Bond Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and we have irrevocably deposited or caused to be deposited with the Bond Trustee as trust funds in trust solely for the benefit of the Bondholders, cash in U.S. dollars in such

amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge all of the Bonds not delivered to the Bond Trustee for cancellation, for principal, premium, if any, and interest and Additional Amounts or the redemption price, if any, to the date of maturity or redemption; *provided, that*, no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which we are a party or by which we are bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other indebtedness, and in each case the granting of Liens to secure such borrowings);

- (b) we have paid or caused to be paid all sums payable by us under the Indenture; and
- (c) we have delivered irrevocable instructions to the Bond Trustee under the Indenture to apply the deposited money toward the payment of the Bonds at maturity or on the redemption date, as the case may be.

In addition, we must deliver an Officer's Certificate and an Opinion of Counsel to the Bond Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Upon satisfaction and discharge of the Indenture as described in "*Satisfaction and Discharge of the Indenture*", the Bond Trustee will assign, transfer and turn over to us or upon our order any and all money, securities and other property then held by the Bond Trustee for the benefit of the Bondholders, other than money deposited with the Bond Trustee in the Defeasance Trust and interest and other amounts earned or received thereon.

#### **Indenture and Terms of Bonds Subject to the Common Terms Agreement and other Finance Documents**

On or about the date of the execution and delivery of the Indenture, the Bond Trustee shall enter into the Global Amendment and Restatement Agreement pursuant to which it will become party to the Common Terms Agreement on behalf of itself and all the Bondholders. All rights, powers and remedies provided or available under the Indenture or any Bonds to the Bond Trustee or any Bondholder shall be subject to the Common Terms Agreement. In the event of any conflict or inconsistency between the terms and provisions of the Indenture or the Bonds on the one hand and the terms and provisions of the Common Terms Agreement on the other hand, the terms and provisions of the Common Terms Agreement shall govern and control. Without prejudice to the preceding sentence, in the event of any conflict or inconsistency between the terms and provisions of any Bond on the one hand and either the Indenture or the Common Terms Agreement on the other hand, the terms of the Indenture or the Common Terms Agreement, respectively, shall govern and control. Each Bondholder will authorize and direct the Bond Trustee in its capacity as Senior Debt Holder Group Representative to:

- (a) enter into the Global Amendment and Restatement Agreement pursuant to which it will become party to the Common Terms Agreement on behalf of the Bondholders from time to time;
- (b) make each and every agreement expressed to be made in the Common Terms Agreement, the Global Amendment and Restatement Agreement and any other Finance Document on behalf of all Bondholders;
- (c) exercise all the rights and perform all the obligations of a Senior Debt Holder Group Representative set forth in the Common Terms Agreement, the Global Amendment and Restatement Agreement and any other Finance Document; and
- (d) take all other actions and act on behalf of each Bondholder in all respects under the Finance Documents.

#### **Voting**

##### ***Bonds Held by Affiliated Investors Not Considered to be Outstanding***

In determining:

- (a) whether Bondholders of the requisite aggregate principal amount of Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture;
- (b) whether or not a quorum is present at a meeting of Bondholders;

- (c) the aggregate principal amount of Bonds entitled to instruct the Bond Trustee for the purposes of any CTA Vote or any other vote or in relation to any other matter; or
- (d) whether an Extraordinary Resolution has been passed,

Bonds held or beneficially owned by us or on our behalf and by or on behalf of any Affiliated Investor will be disregarded and deemed not to be outstanding. In determining whether the Bond Trustee will be protected in relation to any request, demand, authorization, direction, consent or waiver under the Indenture or any other Finance Document or upon any Act taken at a meeting of Bondholders, only Bonds (or portions thereof) which the Bond Trustee actually knows are so owned will be so disregarded.

The principal amount of a Bond denominated in one or more foreign currencies or currency units which will be deemed to be outstanding will be the U.S. dollar equivalent, determined as at such date, of the principal amount of such Bonds. The Bond Trustee will be entitled to request from us an Officer's Certificate setting forth, to our knowledge, the ownership of any Bonds (or portions thereof) held or beneficially owned by us or on our behalf or by or on behalf of any Affiliated Investor, and will be entitled to request from Bondholders certificates as to the ownership of, or ownership of Book-Entry Interests in respect of, Bonds (or portions thereof) held or owned by them.

#### ***Voting for Purposes of the Common Terms Agreement and Indenture***

Whenever in the Indenture or in any other Bond Finance Document it is provided that Bondholders of a specified percentage of, or a majority in aggregate of, the outstanding principal amount of the Bonds (the "**Specified Percentage**") may direct the taking of any action, any request, demand, authorization, direction, notice, consent, waiver, or other action provided or permitted by the Indenture or any other Bond Finance Document to be given or taken by Bondholders, such direction may be:

- (a) embodied in and evidenced by one or more instruments signed by the Bondholders holding the Specified Percentage of the outstanding principal amount of the Bonds in person or by an agent or proxy duly appointed in writing; or
- (b) if the relevant provisions of the Indenture or other Bond Finance Documents so expressly provide or permit, embodied in and evidenced by an Extraordinary Resolution.

Except as otherwise expressly provided in the Indenture, such action will become effective when such instrument or instruments or record, or both, are delivered to the Bond Trustee. Such instrument or instruments and any record of an Extraordinary Resolution (and the Extraordinary Resolution embodied therein and evidenced thereby) are herein sometimes referred to as the "**Act**" of the Bondholders signing such instrument or instruments and so voting at any such meeting. Any Act of the Bondholders holding the Specified Percentage of the outstanding principal amount of the Bonds, and any Extraordinary Resolution, shall bind all Bondholders and owners of Book-Entry Interests in respect of such Bonds. All such instruments and other evidence of any Act shall be retained by the Bond Trustee and made available for inspection at its Corporate Trust Office by any Bondholder or prospective Bondholder.

The principal amount and serial numbers of Bonds held by any Person, and the date or dates of such Person holding the same, shall be conclusively proved by the Register, and the Bond Trustee and the Registrar shall not be affected by notice to the contrary.

Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of the Bondholders holding any Bond shall bind every future Bondholder holding the same Bond and the Bondholder holding every Bond issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Bond Trustee or by us in reliance thereon, whether or not notation of such action is made upon such Bond.

Except as described in "*—Events of Default, Remedies and Waivers of Default*" with respect to the remedies or actions referred to therein, and unless otherwise explicitly specified in the Indenture or the Common Terms Agreement, Bondholders acting by way of Extraordinary Resolution or Majority Series Holders acting by way of written instrument will, subject to and limited by, in every instance, the Common Terms Agreement, have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred on the Bond Trustee with respect to the Bonds under the Indenture or any Bond Finance Document, *provided that*:

- (a) such direction will not be in conflict with law and the provisions of the Indenture or any other Bond Finance Document;

- (b) the Bond Trustee may take any other action deemed proper by the Bond Trustee which is not inconsistent with such direction; and
- (c) subject to certain duties of the Bond Trustee specifically set out in the Indenture, the Bond Trustee will have the right to decline to follow any such direction if the Bond Trustee, being advised by counsel, determines that the action or proceeding so directed may not lawfully be taken or if the Bond Trustee in good faith by action of responsible officers of the Bond Trustee determines that the action or proceedings so directed would involve the Bond Trustee in personal liability or if the Bond Trustee in good faith so determines that the actions or forbearance specified in or pursuant to such direction would be unduly prejudicial to the rights of the Bondholders not joining in the giving of said direction, it being understood that (subject to certain duties of the Bond Trustee specifically set out in the Indenture) the Bond Trustee will have no duty to ascertain whether or not such actions or forbearance are unduly prejudicial to the rights of such Bondholders.

In the case of any action under the Common Terms Agreement requiring the vote, request, approval, consent, notice or direction (all referred to as a “**CTA Vote**”) of Senior Debt Holder Group Representatives, the Bond Trustee will vote the principal amount of all of the outstanding principal amount of the Bonds in accordance with an Act of Bondholders. The Bond Trustee will provide to the Global Facility Agent such information in its possession, or which it may obtain as the Global Facility Agent will require to determine in accordance with the terms of the Common Terms Agreement whether the requisite votes have been reached to vote on the relevant action.

### ***Bondholders’ Meetings***

The Bond Trustee may at any time call a meeting of Bondholders to be held at such time and at such place as the Bond Trustee will determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting will be given by the Bond Trustee not less than ten business days nor more than fifteen business days prior to the date fixed for the meeting, to the Bondholders.

In case we or Bondholders of at least 10% of the outstanding principal amount of the Bonds will have requested the Bond Trustee to call a meeting of Bondholders by written request setting forth in general terms the action proposed to be taken at the meeting, and the Bond Trustee will not have given notice of such meeting within ten business days after receipt of such request, then we or the Bondholders holding such Bonds in the amount above specified may determine the time and the place in the Borough of Manhattan, City of New York, New York, United States or London, England, for such meeting and may call such meeting by giving notice thereof.

To be entitled to vote at any meeting of Bondholders, a person shall be:

- (a) a Bondholder of one or more outstanding Bonds; or
- (b) a person appointed by an instrument in writing as proxy for the Bondholder(s) of such Bonds by a Bondholder of one or more such Bonds.

The only persons who will be entitled to be present or to speak at any meeting of Bondholders will be the persons entitled to vote at such meeting and their counsel, any representatives of the Bond Trustee and its counsel and any of our representatives and our counsel.

Notwithstanding any other provisions of the Indenture, the Bond Trustee may make such reasonable regulations as it may deem advisable for any meeting of Bondholders, in regard to proof of the holding of Bonds and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall think fit.

An individual (who may, but need not, be a Bondholder) nominated in writing by the Bond Trustee may take the chair at any meeting but, if no such nomination is made or if the individual nominated is not present within fifteen minutes after the time fixed for the meeting, those present will elect one of themselves to take the chair failing which, we may appoint the chairman. The chairman of an adjourned meeting need not be the same person as was the chairman of the original meeting.

At any meeting, each Bondholder or proxy will be entitled to one vote for each US\$1,000 principal amount of outstanding Bonds held or represented by it; *provided, however, that*, no vote shall be cast or counted at any meeting in respect of any Bond that is not outstanding as described in “—*Voting—Bonds Held by Affiliated Investors Not Considered to be Outstanding*”. The chairman of the meeting shall have no right to vote other than by virtue of Bonds held by it or instruments in writing as aforesaid duly designating it as the person to vote on behalf of other Bondholders.

Any meeting of Bondholders duly called may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

The quorum at any meeting shall be Bondholders entitled to vote who hold not less than the Relevant Percentage of the outstanding principal amount of the Bonds of all series. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting may be adjourned for a period of not less than ten days as determined by the chairman of the meeting prior to the adjournment of such meeting. Notice of the reconvening of any adjourned meeting will be given as described above except that such notice need be given only once not less than five business days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting will state expressly the Relevant Percentage of the outstanding principal amount of the Bonds of all series which will constitute a quorum. Any Bondholder who has executed an instrument in writing appointing a person as proxy will be deemed to be present for the purposes of determining a quorum and be deemed to have voted; *provided that*, such Bondholder will be considered as present or voting only with respect to the matters covered by such instrument in writing (which may include authorization to vote on any other matters as may come before the meeting).

Any modification, amendment or waiver approved or resolution passed or decision taken at any duly held meeting of Bondholders will be binding on all the Bondholders of any series, regardless of whether present or represented at the meeting.

The vote upon any resolution submitted to any meeting of Bondholders will be by written ballots on which will be subscribed the signatures of the Bondholders or of their representatives by proxy and the serial numbers and principal amounts of the Bonds held or represented by them. The chairman of the meeting will appoint two inspectors of votes who will count all votes cast at the meeting for or against any resolution and who will make their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Bondholders will be prepared and there will be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat with a copy of the notice of the meeting and showing that said notice was given as described above. The record will show the serial numbers of the Bonds voting in favor of or against any resolution. The record will be signed by the chairman of the meeting, and one of the duplicates will be delivered to us and the other to the Bond Trustee to be preserved by the Bond Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified will be conclusive evidence of the matters therein stated.

## **Amendments and Waivers**

### ***Amendments to Finance Documents with Consent of Bondholders***

Subject to the Common Terms Agreement and the other Finance Documents, the Bond Trustee may enter into amendments, supplements or other modifications to the Finance Documents for any purpose not described in “—*Amendments to Finance Documents Without Consent of Bondholders*” only with the consent of Bondholders of not less than an aggregate majority of the outstanding principal amount of the Bonds of each series affected thereby or if such amendment, supplement or other modification is approved by an Extraordinary Resolution, except that no such amendments, supplements or other modifications of Finance Documents will, without: (a) the consent of: (i) Bondholders holding 90% of the outstanding principal amount of the Bonds voting as a single class; or (ii) if Bondholders holding less than 90% of the outstanding principal amount of the Bonds have consented, each Bondholder affected thereby; or (b) an approval by Extraordinary Resolution:

- (A) change the stated maturity of any Bond or the stated maturity of any installment of principal of any Bond, or of any payment of interest or Additional Amounts thereon, or change the principal amount thereof or the interest thereon (including the Post-Default Rate) or any premium payable upon the redemption thereof, or change the place of payment where, or the coin or currency in which, any Bond or the premium, if any, or the interest or Additional Amounts thereon is payable, or impair the right to institute suit for the enforcement of any such payment of principal or interest on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date) or such payment of premium, if any, on or after the date such premium becomes due and payable, or, except as otherwise specifically permitted in the Indenture or under the other Finance Documents, change the redemption date or the terms of payment or redemption;
- (B) reduce the percentage in principal amount of the outstanding Bonds;
- (C) result in any modification of the provisions of the Indenture relating to amendments, supplements and waivers;
- (D) result in the Bond Trustee, in its capacity as Senior Debt Holder Group Representative under the Common Terms Agreement, agreeing to any consent, waiver or amendment relating to a Fundamental Event of Default;

- (E) result in any modification of any of the provisions of the Indenture relating to the circumstances in which any Bonds will be deemed to be outstanding; or
- (F) make the Bonds payable in a currency other than as stated in such Bonds.

Upon receipt by the Bond Trustee of such documentation as the Bond Trustee may reasonably require and upon the filing with the Bond Trustee of evidence of the relevant Act of Bondholders, the Bond Trustee will join in the execution of such amendments, supplements or other modifications, as the case may be, subject to the Common Terms Agreement, but the Bond Trustee will not be obligated to enter into any such amendments, supplements or other modifications that affects its own rights, duties, immunities or liabilities under the Indenture or any other Finance Document.

#### ***Amendments to Finance Documents Without Consent of Bondholders***

Without the consent of the Bondholders, we and the Bond Trustee, on behalf of the Bondholders, at any time and from time to time, may enter, subject in all cases to the provisions of the Common Terms Agreement, into one or more amendments, supplements or other modifications to the Finance Documents for any of the following purposes:

- (a) to effectuate and evidence the succession of another entity to us and the assumption by any such successor of the obligations in the Indenture, in the Common Terms Agreement or in the other Finance Documents (if applicable);
- (b) to evidence the succession of a new Bond Trustee under the Indenture;
- (c) to comply with any applicable rules or regulations of any securities exchange on which any Bonds issued under the Indenture may be listed;
- (d) to cure any ambiguity or manifest error, to correct or supplement any provision in the Indenture that may be misleading, defective or inconsistent with any other provision in the Indenture or other provisions with respect to matters or questions arising under the Indenture or in the other Finance Documents;
- (e) to transfer, mortgage or pledge to an agent on behalf of the Bondholders (including the Global Facility Agent and the Bond Trustee) as security for the Bonds any property or assets;
- (f) to make any change that would only provide additional rights or benefits to Bondholders of all series of Bonds;
- (g) to reflect the incurrence of any additional Senior Debt Obligations permitted under the Common Terms Agreement and the granting of Permitted Indebtedness pursuant to the Common Terms Agreement;
- (h) to conform the text of the Indenture or the Bonds to any provision of “*Description of the Bonds*” to the extent that such provision was intended to be a verbatim or substantially verbatim recitation of a provision of any of the foregoing;
- (i) to take any other action which may be taken without the consent of the Bondholders under the Common Terms Agreement or the Indenture;
- (j) to add additional Events of Default for the benefit of Bondholders of all series of Bonds;
- (k) to make any changes that do not adversely affect the legal rights under the Indenture of any Bondholder in any material respect; or
- (l) to release collateral from the Security Documents in accordance with the Common Terms Agreement and the Security Documents.

#### **Notices**

##### ***Notices to Bondholders***

Where the Indenture or any other Bond Finance Document provides for notice to Bondholders of any event, such notice will be sufficiently given (unless otherwise expressly provided in the Indenture) to any particular Bondholder if in writing and mailed, first-class postage prepaid, to each such Bondholder, at its address as it appears in the Register, not later than the latest date and not earlier than the earliest date prescribed for the giving of such notice. Where the

Indenture or any other Bond Finance Document provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver will be the equivalent of such notice for the purposes of the Indenture or the relevant Bond Finance Document. Waivers of notice by Bondholders will be filed with the Bond Trustee, but such filing will not be a condition precedent to the validity of any action taken in reliance upon such waiver. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder will affect the sufficiency of such notice with respect to other Bondholders, and any notice that is mailed in the manner provided in the Indenture will be conclusively presumed to have been duly given.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such other notification as shall be made with the consent of the Bond Trustee, which consent shall not be unreasonably withheld, shall constitute a sufficient notification to such Bondholders for every purpose under the Indenture.

For Bonds that are represented by global certificates held on behalf of Euroclear, Clearstream, Luxembourg or DTC, notices may be given by delivery of the relevant notices to Euroclear, Clearstream, Luxembourg and DTC for communication to the entitled account holders in substitution for the aforesaid mailing.

So long as the Bonds are listed on the SGX-ST, and to the extent required by the SGX-ST, any notice to the Bondholders shall also be provided to the SGX-ST.

#### ***Notices to Bond Trustee, Us or Paying Agent, Registrar, Transfer Agent and Custodian***

Any request, demand, authorization, direction, notice, consent, waiver or Act of Bondholders or other document provided or permitted by the Indenture or any other Bond Finance Document to be made upon, given or furnished to, or filed with:

- (a) the Bond Trustee by any Bondholder, by any owner of a Book-Entry Interest in respect of Bonds, by us, or by an Authorized Agent shall be sufficient for every purpose under the Indenture if made, given, furnished or filed in writing to or with the Bond Trustee at its Corporate Trust Office, as follows:
  - (i) by registered or certified mail, postage prepaid;
  - (ii) by overnight courier;
  - (iii) by facsimile transmission (with confirmation of receipt); or
  - (iv) by electronic transmission (with confirmation of receipt);
- (b) us by the Bond Trustee, by any Bondholder or by an Authorized Agent shall be sufficient for every purpose under the Indenture if made, given, furnished or filed in writing to or with us addressed to us at our principal address specified in accordance with the Common Terms Agreement as follows:
  - (i) by registered or certified mail, postage prepaid;
  - (ii) by overnight courier; or
  - (iii) by facsimile transmission (with confirmation of receipt); or
- (c) a Paying Agent, Registrar, Transfer Agent and Custodian by the Bond Trustee, by any Bondholder, by us or by an Authorized Agent shall be sufficient for every purpose under the Indenture if made, given, furnished or filed in writing to or with a Paying Agent, Registrar, Transfer Agent or Custodian, as applicable, at its respective registered office, as follows:
  - (i) by registered or certified mail, postage prepaid;
  - (ii) by overnight courier; or
  - (iii) by facsimile transmission (with confirmation of receipt).

Any request, demand, authorization, direction, notice, consent, election or waiver required or permitted under the Indenture shall be in the English language.

## **Governing Law and Dispute Resolution**

### ***Governing Law***

The Bonds and the Indenture shall be governed by and construed in accordance with the laws of the State of New York, United States.

### ***Consent to Arbitration***

We hereby irrevocably agree that any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Bonds and the Indenture, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Bonds or the Indenture (a “**Dispute**”) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the “**LCIA Rules**”), which are, as modified by the provisions described below, incorporated by reference into the Indenture. In particular:

- (a) the number of arbitrators shall be three. The claimant (or claimants jointly) shall nominate one arbitrator for appointment by the LCIA Court and the respondent (or respondents jointly) shall nominate one arbitrator for appointment by the LCIA Court. To the extent that joint claimants or joint respondents fail to agree on an arbitrator to nominate for appointment by the LCIA Court, the relevant arbitrator shall be chosen and appointed by the LCIA Court. The third arbitrator, who shall be the president of the arbitral tribunal, shall be chosen and appointed by the LCIA Court;
- (b) each party expressly agrees and consents to the procedure set out above for nominating and appointing the arbitration tribunal and irrevocably and unconditionally waives any other right to choose its own arbitrator;
- (c) the seat, or legal place, of arbitration shall be London, England and the arbitral law applicable to the arbitration proceedings shall be English law;
- (d) the language used in the arbitral proceedings shall be English. All documents submitted in connection with the arbitral proceedings shall be in the English language or, if in another language, accompanied by an English translation;
- (e) any monetary award shall be made and payable in U.S. dollars and the arbitral tribunal shall be authorized to grant pre-award and post-award interest at commercial rates; and
- (f) the agreement to arbitrate shall be binding upon the successors, assigns and any trustee or receiver of each party.

### **Form of Bonds, Denomination and Registration**

The Bonds will be represented initially by global Bonds in registered form. The Rule 144 A Bonds initially offered and sold in reliance on Rule 144A to QIBs will be represented by one or more permanent global Bonds in fully registered book-entry form without interest coupons, and the Regulation S Bonds initially offered and sold in accordance with Regulation S to non-U.S. Persons will be represented by one or more permanent global Bonds in fully registered book-entry form without interest coupons (the Regulation S Bonds together with the Rule 144A Bonds, the “**Global Bonds**”). The Global Bonds will be issued only in registered form, without coupons and only in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof, or the equivalent thereof in another currency.

Each Rule 144A Bond will be registered in the name of Cede & Co. as nominee for DTC, and the relevant certificate representing the Rule 144A Bond will be deposited on or about the Issue Date with the custodian for DTC. Book-Entry Interests in the Rule 144A Bond may only be held in the books of direct or indirect DTC participants at any time.

Each Regulation S Bond will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg, and the relevant certificate representing the Regulation S Bond will be deposited on or about the Issue Date with the common depository or its nominee for Euroclear and/or Clearstream, Luxembourg.

Financial institutions, acting as direct and indirect participants in DTC, Euroclear or Clearstream, Luxembourg (as applicable), will represent Book-Entry Interests in the Global Bonds. These financial institutions will record the ownership and transfer of Book-Entry Interests through book-entry accounts, eliminating the need for physical movement of securities. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Such laws may impair the ability to transfer Book-Entry Interests in the Global Bonds to such persons.

Owners of Book-Entry Interests in the Global Bonds will generally not be considered the holder of any Bond under the Indenture.

### ***Summary of Transfer Restrictions***

Transfers of interests in the Bonds will be subject to certain restrictions set forth in the terms of those Bonds and the Bonds will bear a restrictive legend as described under “*Transfer Restrictions*”. Except as set forth below, the Global Bonds may be transferred, in whole and not in part, only to another nominee of DTC or to Euroclear and Clearstream, Luxembourg in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg (the “**Applicable Procedures**”), in each case to the extent applicable. For a description of the applicable depository procedures with respect to the Global Bonds, see “—*Book—Entry, Delivery and Form*”.

### **Replacement, Exchange and Transfers**

#### ***Replacement of Bonds***

If any Bond at any time is mutilated, destroyed, lost or stolen, that Bond may be replaced at the cost of the applicant if the mutilated Bond is surrendered to the Bond Trustee or evidence of the destruction, loss or theft of the Bond is delivered to us or the Bond Trustee, as the case may be, as provided in the Indenture.

#### ***Exchanges Between Regulation S Bonds and the Rule 144A Bonds***

Book-Entry Interests in a Regulation S Bond may be transferred for beneficial interests in the Rule 144A Bonds only if such transfer occurs in accordance with the Applicable Procedures and in connection with a transfer of the Bonds pursuant to Rule 144A and the transferor first delivers to a Paying Agent or Custodian a written certificate (in the form provided in the Indenture) to the effect that the Bonds are being transferred to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of a person that is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Book-Entry Interests in the Rule 144A Bonds may be transferred to a person who acquires the same in the form of a Book-Entry Interest in a Regulation S Bond only in accordance with the Applicable Procedures and if the transferor first delivers to a Paying Agent or Custodian a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904.

### **Book-Entry, Delivery and Form**

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither we nor the Initial Purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its Participants directly to discuss these issues. The information in this section concerning DTC, Clearstream, Luxembourg and Euroclear and their book-entry system has been obtained from sources that we and the Initial Purchasers believe to be reliable. Neither we nor the Initial Purchasers make any representation or warranty with respect to this information, other than that it has been accurately extracted and/or summarized from those sources.

#### ***Certain Book-Entry Procedures for the Global Bonds***

DTC is a limited purpose trust company organized under the laws of the State of New York, United States, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code, as amended and a “clearing agency” registered pursuant to the provisions of Section 17A of the U.S. Exchange Act. DTC holds and provides asset servicing for securities that its Participants deposit with DTC. DTC also facilitates the post-trade settlement of securities transactions among its Participants, such as transfers and pledges in deposited securities through electronic computerized book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates.

“**Direct Participants**” in DTC include securities brokers and dealers and banks. Access to DTC’s book-entry system is also available to others, such as banks, securities brokers and dealers that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Purchases of the Rule 144A Bonds under DTC’s book-entry system must be made by or through Direct Participants, which will receive a credit for the Rule 144A Bonds on the records of DTC. The ownership interest of each

actual purchaser of the Rule 144A Bonds, who is referred to herein as the “**beneficial owner**”, is in turn to be recorded on the Participants’ records. Transfers of ownership interests in the Global Bonds will be effected only through entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the Rule 144A Bonds, except in the event that use of the book-entry system for the Rule 144A Bonds is discontinued. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to own, transfer or pledge beneficial interests in the Rule 144A Bonds.

To facilitate subsequent transfers, all Rule 144A Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the Rule 144A Bonds with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Rule 144A Bonds 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.

Ownership of beneficial interests in the Rule 144A Bonds and in the Regulation S Bonds will be limited to persons who have accounts with DTC, Euroclear or Clearstream, Luxembourg or persons who hold interests through such participants. So long as DTC, Euroclear or Clearstream, Luxembourg or their respective nominees are the registered owners and holders of the Global Bonds, DTC, Euroclear or Clearstream, Luxembourg or their respective nominees, as the case may be, will be considered the sole owners or holders of the Bonds represented by the Global Bonds for all purposes under the Indenture.

Beneficial owners of interests in the Global Bonds will not be entitled to have book-entry Bonds represented by the Bonds registered in their names, will not receive or be entitled to receive physical delivery of Bonds in definitive form and will not be considered the owners or holders of Bonds thereof under the Indenture. Accordingly, each beneficial owner must rely on the procedures of DTC, Euroclear or Clearstream, Luxembourg, as applicable, and, if the person is not a Participant, on the procedures of the Participants through which such person owns its interest, to exercise any rights of a holder of the Bonds under the Indenture or the Bonds.

We understand that under existing industry practices, in the event that we request any action of holders of the Bonds or that a beneficial owner of an interest in the Bonds desires to give or take any action which a holder of the Bonds is entitled to give or take under the Indenture, DTC, Euroclear and Clearstream, Luxembourg would authorize the Participants holding the relevant beneficial interests to give or take the action, and the Participants would authorize beneficial owners owning through the Participants to give or to take the action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by DTC, Euroclear and Clearstream, Luxembourg to their respective participants, by participants to indirect participants, and by 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.

Payments of principal of and interest on the Bonds will be made to DTC or its nominee (in the case of the Rule 144A Bonds) and to the common depository or its nominee for Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Bonds), which will distribute such payments to participants in accordance with their customary procedures. DTC’s practice is to credit the accounts of the Direct Participants with payment in amounts proportionate to their respective holdings in principal amount of beneficial interest in a security as shown on the records of DTC, unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of the Participants.

We will send all required reports and notices solely to DTC, as long as DTC is the registered holder of the Rule 144A Bonds, and solely to Euroclear and Clearstream, Luxembourg, as long as Euroclear and Clearstream, Luxembourg are the registered holders of the Regulation S Bonds.

Clearstream, Luxembourg holds securities for its participating organizations (“**Clearstream, Luxembourg Participants**”) and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg Participants through electronic book-entry changes in accounts of Clearstream, Luxembourg Participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg Participants are recognized by financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream, Luxembourg Participants are limited to securities brokers and dealers and banks. Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg Participant either directly or indirectly. Clearstream, Luxembourg is an Indirect Participant in DTC. Clearstream, Luxembourg provides to Clearstream, Luxembourg Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream,

Luxembourg interfaces with domestic markets in several countries. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank SA/NV to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear. As a registered bank in Luxembourg, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector.

Distributions with respect to the Regulation S Bonds held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg Participants in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

Euroclear was created in 1968 to hold securities for participants of Euroclear (“**Euroclear Participants**”) and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. The Euroclear System is operated by Euroclear Bank SA/NV, a bank incorporated under the laws of the Kingdom of Belgium (the “**Euroclear Operator**”), under a contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the “**Cooperative**”). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchasers. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “**Terms and Conditions**”). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to the Regulation S Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its depository.

Neither we nor the Bond Trustee, or any other agent of ours or agent of the Bond Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in Global Bonds or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

### ***Global Clearance and Settlement Procedures***

Initial settlement for the Bonds will be made in immediately available funds. Secondary market trading between the depository participants will occur in the ordinary way in accordance with the depository’s rules and will be settled in immediately available funds using DTC’s Same-Day Funds Settlement System. Secondary market trading between Clearstream, Luxembourg Participants and/or Euroclear Participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

Subject to compliance with the transfer restrictions applicable to the Bonds described next under “*Transfer Restrictions*”, cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear Participants, on the other, will be effected through DTC in accordance with the DTC rules on behalf of the relevant European international clearing system by their respective depository; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (CET time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depository to take action to effect final settlement on its behalf by delivering interests in the Bonds to or receiving interests in the Bonds from DTC, and making

or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg Participants and Euroclear Participants may not deliver instructions directly to DTC.

Because of time-zone differences, credits of interests in the Bonds received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a depository participant will be made during subsequent securities settlement processing and will be credited the business day following DTC settlement date. Such credits or any transactions involving interests in such Bonds settled during such processing will be reported to the relevant Euroclear or Clearstream, Luxembourg Participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of interests in the Bonds by or through a Clearstream, Luxembourg Participant or a Euroclear Participant to a depository participant will be received with value on DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as at the business day following settlement in DTC.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of the Bonds among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

### ***Same Day Settlement***

The Global Bonds will trade in DTC's Same-Day Funds Settlement System and, therefore, transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in immediately available funds. Transfers between indirect participants who hold an interest through a Participant will be effected in accordance with the procedures of such participant but generally will settle in immediately available funds.

### **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein and any other capitalized terms used herein for which no definition is provided.

**"Affiliated Investor"** means:

- (a) us, a Shareholder or a Sponsor or any of our or their Affiliates; and
- (b) any Abu Dhabi governmental instrumentality.

**"Authorized Agent"** means any Paying Agent, Transfer Agent, Exchange Rate Agent, Authenticating Agent or other agent appointed by the Bond Trustee in accordance with the Indenture to perform any function that the Indenture authorizes the Bond Trustee or such agent to perform.

**"Bankruptcy Event of Default"** means the Event of Default set forth in "*Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default—Insolvency Events*" as applicable to the Bonds.

**"Bond Finance Document"** means any Finance Document to which the Bond Trustee is a party, including, Finance Documents to which the Bond Trustee becomes party by way of amendment and restatement pursuant to the Global Amendment and Restatement Agreement.

**"Book-Entry Interest"** means a beneficial interest in a Global Bond held by or through a Participant.

**"Clearing System Business Day"** means Monday to Friday inclusive except December 25 and January 1.

**"Code"** means the U.S. Internal Revenue Code of 1986, as amended.

**"Corporate Trust Office"** means the principal office of the Bond Trustee at which at any particular time corporate trust business of the Bond Trustee shall be administered, which at the date hereof is at Citigroup Center, 33 Canada Square, London E14 5LB, United Kingdom, Att: Agency and Trust or such other office as may be designated by the Bond Trustee to us and to each Bondholder.

**"Custodian"** means Citibank, N.A., London Branch, as Custodian for DTC with respect to the Bonds in global form, and any and all successors thereto appointed as Custodian under the Indenture.

**“Depository”** means, with respect to Regulation S Bonds, a common depository of Euroclear and Clearstream, Luxembourg, their respective nominees and their respective successors, and, with respect to Rule 144A Bonds, DTC.

**“DTC”** means The Depository Trust Company, its nominees and their respective successors.

**“Extraordinary Resolution”** means a resolution passed at a meeting of Bondholders duly convened and held in accordance with the provisions of the Indenture by:

- (a) in relation to any matter set out in or contemplated by paragraph (d) of *“Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters—Decision Making Process—Voting”*, or the provisions of the Indenture relating to the entry into supplemental indentures with the consent of the Bondholders or paragraphs (A) to (F) (inclusive) of *“Amendments and Waivers—Amendments to Finance Documents with Consent of Bondholders”*, a majority of not less than 90% of the votes cast; or
- (b) in relation to any other matter, a majority of not less than 50% of the votes cast.

**“Interest Payment Date”** when used with respect to any Bond, means the stated maturity of an installment of interest on such Bond.

**“Lien”** means any mortgage, charge, pledge, lien (statutory or other), privilege, security interest, hypothecation, collateral assignment or preference, priority or other security agreement, preferential arrangement or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired (including, without limitation, any conditional sale or other title retention agreement and any financing lease having substantially the same economic effect as any of the foregoing).

**“Majority Securityholders”** means Bondholders of more than 50% of the aggregate principal amount of all series of outstanding Bonds taken together.

**“Majority Series Holders”** of a series of Bonds means Bondholders of more than 50% of the aggregate principal amount of outstanding Bonds of such series.

**“Mandatory Redemption Offer Amount”** means, in relation to any offer that we are required to make to redeem Bonds pursuant to the provisions described under *“Summary of Principal Finance Documents—Common Terms Agreement—Cancellation and Prepayment—Common Mandatory Prepayment”*, the amount that we are required to make available to fund such payments as are required to be made to Bondholders that accept such offer in accordance with the provisions described under *“Summary of Principal Finance Documents—Common Terms Agreement—Cancellation and Prepayment—Common Mandatory Prepayment”*.

**“Officer’s Certificate”** means a certificate signed on our behalf by one of our specified officers that meets the requirements set out in the Indenture.

**“Opinion of Counsel”** means an opinion from legal counsel who is reasonably acceptable to the Bond Trustee that meets the requirements set out in the Indenture. The counsel may be an employee of or counsel to us, our Sponsors, our Shareholders or the Bond Trustee.

**“Participant”** means a Person who has an account with DTC, Euroclear and Clearstream, Luxembourg).

**“Paying Agent”** means Citibank, N.A., London Branch and any other Person acting as Paying Agent pursuant to the Indenture.

**“Payment Date”** means, when used with respect to any Bond or any installment of principal thereof or interest thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or other installment of principal or interest is due and payable, or, if such date is not a business day, the next succeeding business day in the same calendar month (if there is one) or the preceding business day (if there is not).

**“Person”** means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

**“Post-Default Rate”** means, in respect of any principal of any Bond or any other amount under the Indenture (including interest) which is not paid when due, a rate per annum equal to 1% plus the stated interest rate for such Bond.

**“Recognized Credit Rating Agency”** means S&P and Moody’s or, if one or more of S&P and Moody’s shall not make a rating on the Bonds publicly available, a “nationally recognized statistical rating organization” (as defined in Section 3(a)(62)(A) of the U.S. Exchange Act), as the case may be, then making a rating on the Bonds publicly available selected by us which shall be substituted for S&P or Moody’s, as the case may be.

**“Register”** means the register maintained at the registered office of each Registrar and in any of our other office or agency in a Place of Payment.

**“Registrar”** means each registrar maintained by us pursuant to the Indenture in a member state of the European Union.

**“Regular Record Date”** means:

- (a) while the Bonds are in global form, the Clearing System Business Day immediately preceding the corresponding payment date; and
- (b) while the Bonds are in definitive form, the fifteenth calendar day preceding the corresponding payment date.

**“Relevant Percentage”** means 50%, *provided, however, that*, in the case of a meeting that has been reconvened after adjournment for want of quorum, it shall mean:

- (a) for voting on an Extraordinary Resolution relating to any matter set out in or contemplated by paragraph (d) of *“Summary of Principal Finance Documents—Common Terms Agreement—Interc Creditor Matters—Decision Making Process—Voting”*, or the provisions of the Indenture relating to the entry into supplemental indentures with the consent of the Bondholders or paragraphs (A) to (F) (inclusive) of *“Amendments and Waivers—Amendments to Finance Documents with Consent of Bondholders”*, 50%; and
- (b) for voting on an Extraordinary Resolution relating to any other matter, 1%.

**“Rule 903”** means Rule 903 under the Securities Act.

**“Rule 904”** means Rule 904 under the Securities Act.

**“Treasury Rate”** means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two business days (but not more than five business days) prior to the relevant redemption date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by us in good faith)) most nearly equal to the period from the redemption date to the stated maturity on which the principal of the Bonds being redeemed will be paid in full; *provided, however, that*, if the period from the redemption date to such stated maturity is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to such stated maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

**“U.S. Government Obligations”** means securities that are:

- (a) direct obligations of the United States of America for the payment of which its full faith and credit is pledged; or
- (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuers thereof and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

## SUMMARY OF PRINCIPAL FINANCE DOCUMENTS

*The following summaries of selected provisions of the principal finance documents are not considered or intended to be full statements of the terms of these agreements or instruments. Unless otherwise stated, any reference in this Offering Memorandum to any agreement will mean such agreement and all schedules, exhibits and attachments thereto as in effect on the date hereof. Copies of certain of these agreements and instruments are available for inspection at the office of the Bond Trustee on the basis described under “Description of the Bonds”. You will find the definitions of capitalized terms used in “Summary of Principal Finance Documents” and not otherwise defined in this section or elsewhere in this Offering Memorandum, in Annex B.*

Our principal financing documents are:

### **Common Terms Agreement**

#### **Applicability of Provisions to the Bondholders**

The Common Terms Agreement contains:

- (a) all common covenants, events of default and other core provisions which shall be applicable to the Senior Facility Banks and the Bondholders; and
- (b) the applicable intercreditor arrangements between the various Senior Facility Banks and the Bondholders. Certain covenants and events of default have different thresholds for the Bondholders.

#### **Cancellation and Prepayment**

##### ***Common Mandatory Prepayment***

##### ***Mandatory Prepayment from Capital Compensation Proceeds***

Following receipt of any Capital Compensation Proceeds that are not eligible for withdrawal in accordance with the provisions detailed under “*Accounts—Insurance and Compensation Account—Withdrawals from Insurance and Compensation Account*”, we must apply such Capital Compensation Proceeds to prepay the Term Facility and make Bond Redemption Offers in the amounts set out in the provisions described under “*—Amount of Prepayment and Bond Redemption Offers*”.

##### ***Amount of Prepayment and Bond Redemption Offers***

The amounts specified in “*—Mandatory Prepayment from Capital Compensation Proceeds*” shall be applied on a Pro Rata basis:

- (a) towards prepayment of the Term Facility (*pro rata* between the remaining instalments of the Advances thereunder); and
- (b) to be made available to make such payments as are required to be made in respect of Bond Redemption Offers that are accepted by the relevant Bondholders (and we shall be required to make Bond Redemption Offers in an amount equal to the amount so made available), *provided that*:
  - (i) we shall not be required to make Bond Redemption Offers if the amount of such Bond Redemption Offers would be less than:
    - (A) for so long as the Term Facility is outstanding, US\$25,000,000; or
    - (B) if no Term Facility is outstanding, US\$15,000,000; or
  - (ii)
    - (A) following a failure by a Bondholder to accept any Bond Redemption Offer;
    - (B) where we are unable to make Bond Redemption Offers without contravening applicable securities laws or regulations or securities exchange rules or regulations; or

(C) where we do not have to make a Bond Redemption Offer pursuant to the provisions of paragraph (i) above,

such amounts that would have been utilized by us to fund such Bond Redemption Offer shall instead be applied in prepayment of the Term Facility (Pro Rata between the remaining instalments of the Advances thereunder) or following the repayment of the Term Facility in full, credited to the Offshore Deposit Account; and

(iii) the amount to be applied in prepayment under “—*Mandatory Prepayment from Capital Compensation Proceeds*” shall be reduced to the extent necessary to ensure that sufficient amounts are available to be applied, on the date of prepayment, in meeting our obligations (if any) under the provisions of the Common Terms Agreement dealing with partial early termination in respect of the amount actually to be prepaid.

### ***Voluntary Prepayment and Bond Redemption***

- (a) Subject to certain exceptions as provided in the Term Facility Agreement, we are not permitted to make any voluntary prepayment of the Term Facility.
- (b) We are not permitted to make any voluntary redemption or purchase of the Bonds, except that we may:
  - (i) redeem all (but not part only) of the Bonds in accordance with Section 3.2(a) (*Tax Redemption*) of the Indenture;
  - (ii) redeem part or all of the Bonds in accordance with Section 3.2(b) (*Optional Redemption*) of the Indenture; or
  - (iii) purchase part or all of the Bonds in accordance with Section 2.10(c) (*Cancellation; Purchase by the Issuer*) of the Indenture,

*provided that*, in each case, any such redemption or purchase payment is made at the same time as a prepayment of the Term Facility pursuant to the applicable provisions of the Term Facility Agreement.

### **Information, Project Forecasts and Reports**

#### ***Information***

##### *Annual Statements*

We shall as soon as the same become available, but in any event within 120 days after the end of each of our fiscal years, deliver to the Global Facility Agent, in sufficient copies for all the Term Banks and the Bond Trustee, our annual audited Financial Statements for such fiscal year.

##### *Unaudited Financial Statements and Management Accounts*

We shall deliver to the Global Facility Agent, in sufficient copies for all the Term Banks and the Bond Trustee:

- (a) within 60 days following the end of each of our fiscal half years, our unaudited Financial Statements for such half year; and
- (b) within 45 days following the end of each of our fiscal quarters, our unaudited management accounts (or other similar financial information prepared by us in the ordinary course of business) for that quarter.

##### *Corporate Information*

We shall:

- (a) at the same time as we deliver any material document to our Shareholders or our creditors, or submit any material document or notice to a stock exchange or companies registry, deliver to the Global Facility Agent copies of any such document;

- (b) deliver to the Global Facility Agent as soon as the same are available, copies of the notices of, and the agenda for, each of our board meetings (including any meeting of any committee of our board), the notices of each extraordinary or annual general meeting of our Shareholders and the minutes of each such extraordinary or annual general meeting; and
- (c) promptly on request, provide the Global Facility Agent with access to and copies of such financial, technical and other information concerning us and our business, assets, operations, condition (financial or otherwise) or ownership, our project or our Shareholders as the Global Facility Agent may from time to time reasonably request (*provided that*, any request to deliver information that has already been provided to the Global Facility Agent will not be considered reasonable).

#### *Other Information*

We must promptly upon becoming aware of the same, inform the Global Facility Agent of the occurrence of any of the following and provide the Global Facility Agent (or the Technical Adviser, as applicable) with copies of any notices received by us in connection with the same:

- (a) the occurrence of any Default of which we have knowledge, together with reasonable details of the circumstances giving rise thereto and (without prejudice to the Finance Parties' rights in relation thereto) the steps (if any) being taken to address the same;
- (b) any material dispute in connection with a Project Document, whether or not involving us;
- (c) any actual or proposed amendment, cancellation, suspension or termination or revocation prior to the stated maturity or term thereof, of any Project Document, any Consent, and, with respect to the Senior Facility Banks only, any Environmental Consent, any Insurances, any agreements regarding Subordinated Advances or our constitutive documents or to rights attaching to our Shares;
- (d) the commencement of any Litigation to which any Major Project Party (other than a provider of a Reserve Letter of Credit) is a party which has, will have or could reasonably be expected to have, a Material Adverse Effect;
- (e) any event which could reasonably be expected to result in the revocation, withdrawal, cancellation, termination, suspension, forfeiture or material variation of any Project Document, Insurances or any Consent and, with respect to the Senior Facility Banks only, any Environmental Consent;
- (f) the occurrence of any Event of Force Majeure or Event of Government Action or Inaction or the occurrence of any other force majeure event (howsoever called) provided for in any Project Document and the details of that event and will provide updates to the Global Facility Agent with such frequency as the Global Facility Agent may reasonably request of each such situation so long as that event continues, *provided that* with respect to the Bondholders only, we shall only be required to provide such notice to the Bond Trustee to the extent that a party to the PWPA seeks to rely upon such event or circumstance to excuse performance under the PWPA;
- (g) any loss or damage to any asset required in connection with our project the aggregate value of which exceeds US\$2,000,000 (or its equivalent) in relation to the same or related incidents in any calendar year;
- (h) any failure of or suspension of operation of any part of our project which could reasonably be expected to impair our ability to perform our material obligations under the PWPA;
- (i) the occurrence of any Emergency which has required us to incur costs of US\$500,000 (or its equivalent) (and thereafter upon incurring costs in multiples thereof); and
- (j) promptly on the reasonable request by the Bond Trustee (acting on the instructions of the Majority Bondholders), such information as the Bond Trustee may reasonably request which has been provided to the Senior Facility Banks pursuant to any of the above paragraphs, and *provided that*, prior to receipt of such information, the Bondholders who are entitled to receive such information have entered into any applicable confidentiality undertakings.

#### *Accounting Policies and Other Requirements*

We shall ensure that:

- (a) each set of our Financial Statements, management accounts and financial information delivered as described in “—*Annual Statements*” or “—*Unaudited Financial Statements and Management Accounts*” shall be prepared in accordance with IFRS consistently applied;
- (b) each set of our Financial Statements, management accounts and financial information delivered as described in “—*Annual Statements*” or “—*Unaudited Financial Statements and Management Accounts*” is certified on our behalf by one of our duly authorized officers as having been prepared in accordance with IFRS, consistently applied and in good faith on a reasonable basis and giving a true and fair view of our financial condition as at the end of the period to which those Financial Statements relate and of the results of our operations during such period and that we did not have any liabilities (contingent or otherwise) or any material unrealized or unanticipated losses which are not disclosed by, reserved against or provided for in such Financial Statements;
- (c) each set of our Financial Statements delivered as described in “—*Annual Statements*” has been audited by the Auditors and is accompanied by a copy of a management letter from the Auditors addressed to our directors in connection with their auditing of the accounts comprised in those Financial Statements; and
- (d) unless the Global Facility Agent agrees otherwise (such agreement not to be unreasonably withheld or delayed) each of our fiscal years commences on January 1 and ends on December 31, other than our first fiscal year which shall commence on the date of our registration in the Commercial Register (as defined in the Shareholders’ Agreement) and end on December 31 of the next calendar year.

### ***Project Forecasts***

#### *Project Forecasts*

We shall deliver to the Global Facility Agent no later than 30 days prior to each Calculation Date, a Project Forecast which shall:

- (a) save as may otherwise have been agreed between the Global Facility Agent and us, be in substantially the same format as the most recently delivered Project Forecast and based on the Computer Model;
- (b) be prepared on the basis of the Assumptions agreed or determined pursuant to the sources and methodology for Assumptions specified in the Common Terms Agreement;
- (c) be prepared as at such Calculation Date and set out, in respect of each Calculation Period or part thereof, falling in the period commencing on that Calculation Date and ending on the PWPA Scheduled Termination Date, a projected estimate of:
  - (i) Operating Revenues for that Calculation Period (including reasonable details of all sources from which they were derived);
  - (ii) Operating and Maintenance Costs and Capital Costs during that Calculation Period;
  - (iii) Senior Financing Costs during that Calculation Period;
  - (iv) the maximum amount that will be outstanding under the Senior Debt during that Calculation Period;
  - (v) the MRA Required Balance on the last day of that Calculation Period; and
  - (vi) the DSRA Required Balance on the last day of that Calculation Period, together with such information as to amounts due or expected to be due in respect of the Senior Permitted Hedging Agreements as may be reasonably required to enable the Global Facility Agent to verify the DSRA Required Balance;
- (d) set out a calculation of the projected Net Revenues for each Calculation Period (or part thereof) falling in the period commencing on that Calculation Date and ending on the Senior Final Maturity Date;
- (e) set out a calculation of the Projected DSCR for each Calculation Period (or part thereof) falling in the period commencing on that Calculation Date and ending on the Senior Final Maturity Date; and
- (f) be calculated in U.S. dollars and, to the extent that any sum denominated in a currency other than U.S. dollars fails to be taken into account, using such rates of exchange between such currency and U.S. dollars as may be

specified in the sources and methodology for Economic Assumptions specified in the Common Terms Agreement.

*Proposals, Agreement of Assumptions, Project Forecast and Draft Calculation and Final Determination*

For so long as the Term Facility is outstanding, we shall, not later than 30 days before the date on which the Projected DSCR for any Calculation Period is to be calculated in accordance with the Common Terms Agreement, supply the Global Facility Agent with details of the Assumptions we propose to use and the resulting Project Forecast and calculation of the Projected DSCR in respect of such Calculation Period together with sufficient information (which, amongst other things, shall include *pro forma* cash flow statements and a calculation in reasonable details of projected Net Revenues and projected Scheduled Debt Service (excluding any Senior Financing Costs incurred under the Working Capital Facility Agreement)) to enable the Global Facility Agent (acting on the instructions of the Majority Term Banks) to verify the calculation.

Following repayment of the Term Facility, we shall, not later than 30 days before the date on which the Projected DSCR for any Calculation Period is to be calculated in accordance with the Common Terms Agreement, supply to the Bond Trustee (for information purposes only) and the Technical Adviser with details of the Assumptions we propose to use and the resulting Project Forecast and calculation of the Projected DSCR in respect of such Calculation Period together with sufficient information (which, amongst other things, shall include *pro forma* cash flow statements and a calculation in reasonable details of projected Net Revenues and projected Scheduled Debt Service (excluding any Senior Financing Costs incurred under the Working Capital Facility Agreement)) and any such proposal shall be deemed to be the Assumptions, Project Forecast or Projected DSCR for the relevant Calculation Period *provided that*, the Technical Adviser has provided a commentary to the Bond Trustee setting out in reasonable details any material difference from the then current Assumptions, Project Forecast or Projected DSCR and the rationale for any such differences.

Any such proposal must be:

- (a) reasonable in the circumstances;
- (b) consistent with the Transaction Documents;
- (c) consistent with the then current Annual Operating Budget delivered in accordance with the Common Terms Agreement; and
- (d) prepared on the basis of the Computer Model and the Assumptions agreed or determined for that Projected DSCR calculation.

For so long as the Term Facility is outstanding:

- (a) within seven days of receiving the Assumptions, the Global Facility Agent will confirm that a review has commenced and that it will respond to us by the date which is fifteen days after receipt of the Assumptions and calculation (the “**Response Date**”);
- (b) by the Response Date, the Global Facility Agent must notify us as to whether it agrees or objects to any proposal for an Assumption, Project Forecast or Projected DSCR calculation we put forward;
- (c) we will consult with the Global Facility Agent in good faith with a view to agreeing any outstanding proposals for an Assumption, Project Forecast or Projected DSCR calculation for a period of not more than seven days following delivery to us of the notification referred to above. Failing agreement, the proposals in question will be referred to an Expert in accordance with the procedure set out below. Within ten days of the conclusion of such discussions we shall, to the extent necessary, modify the Project Forecast to reflect any changes agreed, or failing agreement, determined by an Expert in respect of that Project Forecast and deliver such modified Project Forecast to the Global Facility Agent.

Each Projected DSCR calculation agreed or determined under the Common Terms Agreement is final and binding on all the parties thereto.

If we and the Global Facility Agent disagree on any matter relating to an Assumption, a Project Forecast or Projected DSCR calculation, to the extent that the dispute is in respect of an Assumption, we and the Global Facility Agent shall together appoint a person of appropriate qualifications and experience (the “**Expert**”) to resolve the issue. If we and the Global Facility Agent are unable to agree the identity of the Expert within five days of the conclusion of the

discussions referred to above, the Global Facility Agent may request the Auditors with respect to Economic Assumptions, or the Institute of Electrical Engineers in the United Kingdom with respect to Technical Assumptions or equivalent independent and internationally recognized bodies, to appoint the Expert. The Auditors and the Expert will be appointed on terms that they shall act as independent experts and not as arbitrators, and they shall be required to determine the matter referred to them within fifteen days of the referral having been made to them.

The Global Facility Agent must notify us and the Senior Facility Banks of any Projected DSCR calculation produced following an Expert determination or which is agreed and that Projected DSCR will, in the absence of manifest error, be finally determined for the purposes of the Finance Documents. A finally determined Project Forecast and Projected DSCR will apply for the purposes of the Finance Documents from the date it is finally determined until it is next finally determined.

#### *Alternative Project Forecasts*

If we fail to prepare and deliver to the Global Facility Agent any Project Forecast required to be delivered as described in “—*Project Forecasts*” or fail to modify any Project Forecast in accordance with the provisions described under “—*Proposals, Agreement of Assumptions, Project Forecast and Draft Calculation and Final Determination*” the Global Facility Agent may prepare or, as the case may be, modify such Project Forecast and deliver it to us.

#### *Computer Legible Copies*

At the same time as we deliver any Project Forecast in hard copy as described in “—*Project Forecasts*” and “—*Proposals, Agreement of Assumptions, Project Forecast and Draft Calculation and Final Determination*”, we shall deliver to the Global Facility Agent a copy thereof in computer legible form or otherwise as the Global Facility Agent may from time to time require.

#### *General*

We will, if requested by the Global Facility Agent, revise any Project Forecast or Projected DSCR to correct any manifest error agreed between the Global Facility Agent and us.

#### *Computer Model*

##### *Revisions to Computer Model*

We may at any time propose amendments to the Computer Model for consideration by the Global Facility Agent (acting on the instructions of the Majority Term Banks and in consultation with the Technical Adviser) and upon the approval of the Global Facility Agent (such approval not to be unreasonably withheld or delayed), we shall proceed to make such approved revisions to the Computer Model in accordance with “—*Revisions to Computer Model*”.

We will make revisions to the Computer Model as directed by the Global Facility Agent, in each case at any time and at our expense. The Global Facility Agent may give such directions (acting on the instructions of the Majority Term Banks and, to the extent that the Global Facility Agent deems appropriate, after consultation with us and the Technical Adviser) as it determines are reasonably required for the purpose of:

- (a) correcting any error in the form or structure of the Computer Model and the Global Facility Agent’s determination of the revisions required to correct such error will be final and conclusive (in the absence of manifest error); or
- (b) incorporating any additional assumptions agreed between us and the Global Facility Agent (after consultation with the Technical Adviser to the extent the Global Facility Agent deems appropriate), *provided that*, if we and the Global Facility Agent fail to agree on the incorporation of any additional assumptions, the matter in dispute will be referred to an Expert by using the dispute resolution procedures described under “—*Project Forecasts—Proposals, Agreement of Assumptions, Project Forecast and Draft Calculation and Final Determination*” as if the matter were a dispute in relation to an Assumption for the purposes of a Project Forecast.

If we fail to make any revisions, agreed revisions or revisions as required by an Expert, to the Computer Model, the Global Facility Agent may (but is not obliged to) make the revisions to the Computer Model at our expense.

If the Computer Model is revised, we must promptly notify the Global Facility Agent of the revision and provide it with a computer diskette or cd-rom and with an electronic copy. If the Global Facility Agent has exercised its discretion to make revisions to the Computer Model, as indicated above, it must promptly notify us of the revisions and

provide us with a computer diskette or cd-rom and with an electronic copy of the same. We must not make any revision to the Computer Model except as provided in “— *Revisions to Computer Model*”.

### ***Operating Budgets and Reports***

#### *Operating Budgets*

For so long as the Term Facility is outstanding, we shall, not later than 30 days prior to the start of each of our fiscal years, deliver to the Global Facility Agent and the Technical Adviser an Annual Operating Budget. Upon approval by the Global Facility Agent and *provided that* the Technical Adviser has confirmed the reasonableness of the projected costs contained in such Annual Operating Budget, each such budget shall be deemed to be the Annual Operating Budget for the relevant fiscal year.

Following repayment of the Term Facility, we shall, not later than 30 days prior to the start of each of our fiscal years, deliver to the Bond Trustee (for information purposes) and the Technical Adviser an Annual Operating Budget and each such budget shall be deemed to be the Annual Operating Budget for the relevant fiscal year, *provided that*, the Technical Adviser has provided a commentary to the Bond Trustee setting out in reasonable detail any material differences from the then current Approved Operating Budget and the rationale for any such differences.

For so long as the Term Facility is outstanding, the Global Facility Agent shall, within 21 days of receipt by it of an Annual Operating Budget, notify us whether or not the Majority Term Banks have approved such Annual Operating Budget and whether or not the Technical Adviser has confirmed the reasonableness of the projected costs contained in the Annual Operating Budget, and if not approved or confirmed, the Global Facility Agent shall consult with us regarding the reasons for non-approval or non-confirmation.

If we deliver an Annual Operating Budget that projects additional expenditure resulting in projected expenditure in the relevant Annual Operating Budget exceeding 110% of the aggregate of the annual Operating and Maintenance Costs (other than those that will be passed through in the Price pursuant to the terms of the PWPA) and Capital Costs required for the purposes of our project assumed for such period in the Computer Model, such additional expenditure will only be adopted if it is approved by:

- (a) for so long as the Term Facility is outstanding, the Global Facility Agent; and
- (b) following repayment of the Term Facility, the Technical Adviser.

#### *Operating Reports*

We must deliver to the Global Facility Agent and the Technical Adviser an operating report in the form agreed between us and the Technical Adviser (an “**Operating Report**”), no later than 90 days after the end of each of our fiscal years.

Each Operating Report shall be signed by one of our duly authorized officers and shall include, in respect of the period ending on the date as of which such Operating Report was prepared, the following information:

- (a) reasonable details of the performance of each power unit and each desalination unit, and the overall performance of our plant during the relevant period;
- (b) our projections, in reasonable detail, of the performance of each power unit and each desalination unit and the overall performance of our plant during each of the succeeding four fiscal quarters together with a comparison of the projected overall performance of our plant during each of the succeeding four fiscal quarters with the Assumptions contained in the then current Project Forecast;
- (c) reasonable details of any material maintenance of a power unit, a desalination unit or otherwise in relation to our plant carried out during the relevant period;
- (d) reasonable details of any technical problems encountered in relation to the operation of our plant during the relevant period and plans to resolve those problems;
- (e) each value of Net Dependable Power Capacity and Net Dependable Water Capacity determined in accordance with the PWPA during the relevant period;
- (f) the Net Electrical Energy and Net Water Output during the relevant period;

- (g) details of the operation and maintenance of our project during that period and only for so long as the Term Facility is outstanding, compliance with the requirements of the EMP;
- (h) details of any accident(s) of which we are aware on the Site or affecting any Project Asset or any loss or damage to any Project Asset if such accident(s), loss or damage has had, or will have, a Material Adverse Effect on our project;
- (i) any material defects or material malfunctions at our plant during that period which are likely to have a Material Adverse Effect together with summary details of the action being taken to remedy those material defects or malfunctions;
- (j) a report on any other material matters relating to our project arising or developing during the relevant period; and
- (k) the current status of any technical or commercial issue or potential problem identified in any previous Operating Report which has not been fully resolved together with details of the action which is being taken, or is to be taken, in relation thereto.

The Global Facility Agent will request the Technical Adviser to review and report on each Annual Operating Budget and Operating Report delivered by us as described in “—*Operating Budgets and Reports*” and, in each case, on any other matters which arise out of their review thereof.

## **Accounts**

### ***Project Accounts***

We must maintain, at all times prior to the Senior Termination Date, the Onshore Deposit Account, the Onshore Operating Account, the Offshore Deposit Account, the Offshore Operating Account, the Debt Service Reserve Account, the Maintenance Reserve Account and the Insurance and Compensation Account.

Each Project Account will be a separate account with the relevant Account Bank, and, save as otherwise provided in any of the Security Documents, we shall credit, and procure that there is credited, to the Project Accounts all such amounts as are provided for in the Common Terms Agreement and shall ensure that such other credits are made thereto as are required to be made pursuant to any other provision of any other Finance Documents.

Each Account Bank agrees that it shall make such payments out of the amount standing to the credit of the Project Accounts maintained with it as may from time to time be requested by us, including through the internet banking product of such Account Bank, pursuant to and in accordance with an express provision of any Finance Document. Save as expressly provided in the Finance Documents, no other party can require an Account Bank to make, and no Account Bank shall make, any payment out of the amount standing to the credit of any Project Accounts maintained with it.

### ***Onshore Deposit Account***

#### ***Payments to Onshore Deposit Account***

Save as provided in “—*Insurance and Compensation Account*”, we must procure that all moneys received or receivable by us from any source (including Working Capital Advances) which are denominated in dirhams are paid directly to, or immediately credited forthwith on receipt of the same to, the Onshore Deposit Account.

#### ***Withdrawals from Onshore Deposit Account***

Save as otherwise provided in the Common Terms Agreement, unless otherwise agreed by the Global Facility Agent (acting on the instructions of the Majority Term Banks), we may only withdraw amounts from the Onshore Deposit Account, and we must apply all amounts so withdrawn, only for the following purposes and in the following order of priority:

- (a) to transfer to the Onshore Operating Account an amount equal to the aggregate amount of payments described under “—*Onshore Operating Account—Withdrawals from Onshore Operating Account*” which we reasonably estimate will fall due during the succeeding 45 days in excess of the amount standing to the credit of the Onshore Operating Account;
- (b) to pay dirham denominated Senior Financing Costs as and when they fall due;

- (c) to pay dirham denominated principal repayments under the Working Capital Facility; and
- (d) to convert the balance into U.S. dollar or euro or other hard currency and immediately following such conversion credit all of the proceeds thereof to the Offshore Operating Account or an appropriate sub-account.

If the amount standing to the credit of the Onshore Deposit Account on any day on which an amount falling in any of the above paragraphs is due is insufficient to pay all of the amounts falling within a particular paragraph above that are due and payable (but unpaid) on that day, then (subject in any event to the above order of priority) the amount standing to the credit of the Onshore Deposit Account shall be applied *pro rata* against all such due amounts falling within that paragraph (and no amount may be applied against any amount referred to in any subsequent paragraph).

### ***Onshore Operating Account***

#### *Withdrawals from Onshore Operating Account*

Save as otherwise provided in the Common Terms Agreement, unless otherwise agreed by the Global Facility Agent (acting on the instructions of the Majority Term Banks), we may only withdraw amounts from the Onshore Operating Account and we must apply them only for the following purposes and in the following order of priority:

- (a) to pay dirham-denominated Taxes payable by us, as and when they fall due; and
- (b) to pay dirham-denominated Operating and Maintenance Costs and Capital Costs (other than Operating and Maintenance Costs and Capital Costs incurred in contravention of the covenant described under “*Covenants and Events of Default—Negative Covenants—Project Costs*”), as and when they fall due.

### ***Offshore Deposit Account***

#### *Payments to Offshore Deposit Account*

Save as provided in “—*Insurance and Compensation Account*” and “—*Revolving Dollar Account*”, we must procure that all moneys received or receivable by us from any source which are denominated in U.S. dollars or any other currency other than dirhams (other than Third Party Insurance Proceeds which are payable directly to third parties) are paid directly to, or immediately credited forthwith on receipt of the same to, the Offshore Deposit Account.

#### *Withdrawals from Offshore Deposit Account*

Save as otherwise provided in the Common Terms Agreement, unless otherwise agreed by the Global Facility Agent (acting on the instructions of the Majority Term Banks), we must, to the extent of the funds available in the Offshore Deposit Account for such application, withdraw moneys from the Offshore Deposit Account in the following amounts and apply the same for the following purposes in the following order of priority:

- (a) on each Cash Application Date, to transfer to the Offshore Operating Account an amount equal to the aggregate of:
  - (i) Taxes payable by us which we reasonably estimate will fall due during the period from that Cash Application Date to the next succeeding Cash Application Date;
  - (ii) Operating and Maintenance Costs and Capital Costs but only to the extent included in the Annual Operating Budget then in effect (other than Operating and Maintenance Costs and Capital Costs incurred in contravention of the covenant described under “*Covenants and Events of Default—Negative Covenants—Project Costs*”) which we reasonably estimate will fall due during the period from that Cash Application Date to the next succeeding Cash Application Date;
  - (iii) Capital Costs (other than Capital Costs incurred in contravention of the covenant described under “*Covenants and Events of Default—Negative Covenants—Project Costs*”) which we reasonably estimate will fall due during the period from that Cash Application Date to the next succeeding Cash Application Date; and
  - (iv) such other costs and liabilities as we and the Majority Term Banks may agree;

- (b) on each Cash Application Date, to transfer to the Offshore Operating Account an amount, as reasonably determined by us (having regard to the balance standing to the credit of the Offshore Operating Account) that may be required to cover any contingency during the period from that Cash Application Date to the next succeeding Cash Application Date in respect of any of the costs referred to in paragraph (a) above of up to 10% of the aggregate amounts referred to in paragraph (a) above;
- (c) to pay:
  - (i) the fees of the Agents (if any) as and when they fall due;
  - (ii) Senior Financing Costs (other than amounts referred to in paragraph (c)(i) above and (d) below) denominated in any currency other than dirhams (other than amounts referred to in paragraph (d) below), as and when they fall due; and
  - (iii) if the amount which may then be withdrawn from the Onshore Deposit Account in accordance with “—*Onshore Deposit Account—Withdrawals from Onshore Deposit Account*” to pay amounts falling in paragraph (c) under “—*Withdrawals from Onshore Deposit Account*” (other than amounts referred to in paragraph (d) below) which are then due and payable is less than the aggregate amount thereof, such amounts to the extent of such shortfall;
- (d) on each Interest Payment Date, to pay U.S. dollar-denominated interest in respect of the Term Facility, the Bonds and the Working Capital Facility and Hedging Interest Payments (but not Hedging Termination Payments) under any Senior Permitted Hedging Agreements as and when they fall due;
- (e) on each Repayment Date, to pay principal repayments under the Term Facility, the Bonds and the Working Capital Facility as and when they fall due and any Hedging Termination Payments in relation to Senior Permitted Hedging Agreements entered into and terminated in accordance with the Hedging Policy if such Hedging Termination Payments are payable as a result of repayments of principal referred to in this paragraph (e);
- (f) to pay amounts falling due to:
  - (i) any Senior Debt Holders under “*Cancellation and Prepayment—Common Mandatory Prepayment—Mandatory Prepayment from Capital Compensation Proceeds*”;
  - (ii) any Term Bank under “*Amended and Restated Term Facility Agreement—Prepayments—Illegality*”;
  - (iii) any Hedging Termination Payments in relation to Senior Permitted Hedging Agreements entered into and terminated in accordance with the Hedging Policy if such Hedging Termination Payments are payable as a result of repayments of principal referred to in this paragraph (f);
- (g) to pay any other amount denominated in any currency other than dirhams payable to a Finance Party in respect of any Senior Liabilities (other than any amount referred to in paragraph (k) below) pursuant to the Finance Documents as and when they fall due;
- (h) on each Repayment Date, to transfer an amount to the Debt Service Reserve Account in accordance with the provisions described under “—*Debt Service Reserve Account—Transfers to the Debt Service Reserve Account*”;
- (i) on each Repayment Date, to transfer an amount to the Maintenance Reserve Account in accordance with the provisions described under “—*Maintenance Reserve Account—Transfers to the Maintenance Reserve Account*”;
- (j) to pay fees payable in respect of any DSRA Credit Support or MRA Credit Support, in each case up to an aggregate amount not exceeding 1.5% per annum of the face value of such DSRA Credit Support or MRA Credit Support as and when they fall due;
- (k) to pay amounts falling due to:
  - (i) any Term Bank under “*Amended and Restated Term Facility Agreement—Prepayments—Voluntary Prepayment of Loans*” or “*Amended and Restated Term Facility Agreement—Prepayments—Right of Repayment in Relation to a Single Bank*”;

- (ii) the Bond Trustee on behalf of the Bondholders under Section 5.17 (*Additional Amount Payable on Termination of the PWPA*) of the Indenture; and
  - (iii) any Hedging Termination Payments in relation to Senior Permitted Hedging Agreements entered into and terminated in accordance with the Hedging Policy if such Hedging Termination Payments are payable as a result of the repayments of principal referred to in this paragraph (k); and
- (l) subject to the provisions described under “—*Restricted Payments*” to transfer, if so requested by us, any remaining balance (after all sums referred to under “—*Withdrawals from Offshore Deposit Account*” have been paid) to a Distribution Account.

If the amount standing to the credit of the Offshore Deposit Account on any day on which an amount falling in any of the above paragraphs is due is insufficient to pay all the amounts falling within one of the paragraphs above that are due and payable (but unpaid) on that date, then (subject in any event to the above order of priority) the amount standing to the credit of the Offshore Deposit Account shall be applied *pro rata* against all such due amounts falling within that paragraph (and no amount may be applied against any amount referred to in any subsequent paragraph).

#### *Restricted Payments*

We may only withdraw an amount from the Offshore Deposit Account for transfer to a Distribution Account, and the Offshore Account Bank will only be obliged to make payments in respect thereof if each of the following conditions is satisfied on the date of such withdrawal:

- (a) the withdrawal is made within 30 days after a Calculation Date;
- (b) the drawing is in accordance with the order of priority set out in the provisions described under “—*Withdrawals from Offshore Deposit Account*”;
- (c) no Default has occurred which has not been remedied or waived by the Majority Term Banks or would occur as a result of such drawing or transfer or of its application towards the purpose specified in the notice;
- (d) in the case of a transfer to a Distribution Account, we have given the Global Facility Agent and the Offshore Account Bank not less than five business days prior notice of such drawing setting out the proposed amount and all information and calculations necessary to demonstrate that the relevant conditions set out under “—*Restricted Payments*” have been satisfied in respect of such drawing;
- (e) the DSRA Balance is not less than the DSRA Required Balance;
- (f) the MRA Balance is not less than the MRA Required Balance;
- (g) the Debt Service Coverage Ratio for the Restricted Payment Calculation Period ending on such Repayment Date and the Projected DSCR for the Restricted Payment Calculation Period commencing on such Repayment Date, as set out in the then current Project Forecast, was at least 1.15:1;
- (h) we have provided a certificate signed by a duly authorized officer confirming that before and after such proposed drawing, sufficient funds will be retained in the Offshore Deposit Account and the Offshore Operating Account to meet all expenditures (including Operating and Maintenance Costs, Capital Costs and Senior Financing Costs) projected to fall due in the period up to the succeeding Calculation Date;
- (i) the amount to be withdrawn is no greater than the balance standing to the credit of the Offshore Deposit Account and the Offshore Operating Account at the close of business in New York on that Calculation Date after taking into account all of the payments and transfers referred to in paragraphs (a) to (k) of “—*Withdrawals from Offshore Deposit Account*”;
- (j) neither such withdrawal nor transfer will result in a breach of Article 192 of the Commercial Companies Law or any Applicable Law of the Emirate of Abu Dhabi or the Emirate of Fujairah.

#### ***Offshore Operating Account***

##### *Withdrawals from Offshore Operating Account*

Save as otherwise provided in the Common Terms Agreement, unless otherwise agreed by the Global Facility

Agent (acting on the instructions of the Majority Term Banks), we may only withdraw amounts from the Offshore Operating Account, and must apply all amounts so withdrawn, only for the following purposes in the following order of priority, to pay:

- (a) Taxes payable by us, as and when they fall due;
- (b) Operating and Maintenance Costs and Capital Costs but only to the extent included in the Annual Operating Budget then in effect or otherwise expressly permitted under “*Covenants and Events of Default—Negative Covenants—Project Costs*” (other than Operating and Maintenance Costs and Capital Costs incurred in contravention of the provisions described under “*Covenants and Events of Default—Negative Covenants—Project Costs*”), as and when they fall due; and
- (c) such other costs and liabilities as we and the Majority Term Banks may agree.

#### ***Distribution Accounts***

We may from time to time establish and maintain Distribution Accounts. The Distribution Accounts shall not be the subject of security in favor of any Finance Party or right of set-off in respect of any Secured Obligation.

#### ***Withdrawals from Distribution Accounts***

We shall be entitled to withdraw amounts from the Distribution Accounts at any time and for whatever purposes we think fit.

#### ***Debt Service Reserve Account***

##### ***Credits to the Debt Service Reserve Account***

We must procure that the Debt Service Reserve Account is funded in an amount not less than the DSRA Required Balance on the Effective Date (whether by cash, Acceptable Credit Support or any combination thereof).

##### ***Payments to the Debt Service Reserve Account***

The Offshore Security Trustee must credit any amounts it receives under any DSRA Credit Support to the Debt Service Reserve Account *provided that* if the Offshore Security Trustee receives any such amounts at any time after the Global Facility Agent has made a declaration or taken any other action pursuant to “—*Defaults and Remedies—Enforcement Action under the Common Terms Agreement*”, the Offshore Security Trustee shall apply such amounts in accordance with “—*Defaults and Remedies—Application of Senior Proceeds*”.

##### ***Transfers to the Debt Service Reserve Account***

In the event that on any Repayment Date the DSRA Balance is less than the DSRA Required Balance on that date, we must transfer from the Offshore Deposit Account to the Debt Service Reserve Account an amount equal to the lesser of the amount by which the DSRA Required Balance exceeds the DSRA Balance on that Repayment Date and the balance (if any) standing to the credit of the Offshore Deposit Account on that Repayment Date after all of the payments referred to in paragraphs (a) to (g) (inclusive) as detailed under “—*Offshore Deposit Account—Withdrawals from Offshore Deposit Account*” due to be made on or prior to that Repayment Date have been made.

##### ***Withdrawals of Balances in excess of DSRA Required Balance***

If the DSRA Balance on any Repayment Date exceeds the DSRA Required Balance applicable to that Repayment Date (such excess, the “**DSRA Excess Amount**”), we may:

- (a) transfer an amount from the Debt Service Reserve Account to the Offshore Operating Account; and/or
- (b) procure that any DSRA Credit Support is reduced or released and the Global Facility Agent must permit such reduction or release and take all necessary action in relation thereto as may be reasonably requested by us at our sole cost,

*provided that* the aggregate amount transferred, reduced or released shall not exceed the DSRA Excess Amount.

### *Payments from the Debt Service Reserve Account*

- (a) We may only withdraw, or the Global Facility Agent may, subject to paragraph (b) below, instruct the Offshore Account Bank to withdraw, amounts from the Debt Service Reserve Account, in each case to pay to the Offshore Security Trustee from the balance standing to the credit of the Debt Service Reserve Account (and realize any Authorized Investments made from the amounts standing to the credit of the Debt Service Reserve Account to make such payment) to the extent that the same cannot be paid out of funds standing to the credit of the Offshore Deposit Account in the manner referred to under “—*Offshore Deposit Account—Withdrawals from Offshore Deposit Account*” or “—*Onshore Deposit Account—Withdrawals from Onshore Deposit Account*”, any amounts referred to in paragraphs (c), (d) or (e) as described under “—*Offshore Deposit Account—Withdrawals from Offshore Deposit Account*” or paragraph (b) as described under “—*Onshore Deposit Account—Withdrawals from Onshore Deposit Account*” (other than payments of principal under the Working Capital Facility) and the Offshore Account Bank shall make payments to the Offshore Security Trustee in accordance with such instructions from the amounts standing to the credit of the Debt Service Reserve Account; and
- (b) The Global Facility Agent may instruct the Offshore Security Trustee to make a call under any DSRA Credit Support for an aggregate amount equal to the lesser of:
  - (i) any amounts referred to in paragraphs (c), (d) or (e) as described under “—*Offshore Deposit Account—Withdrawals from Offshore Deposit Account*” (other than payments of principal under the Working Capital Facility) which have not been paid following any payment from the balance standing to the credit of the Debt Service Reserve Account under paragraph (a); and
  - (ii) the total amount available to be called under such DSRA Credit Support at that time.

The Offshore Security Trustee must use the proceeds of any payment or call received pursuant to paragraph (a) or (b) to pay the amounts as set out in “—*Offshore Deposit Account—Withdrawals from Offshore Deposit Account*” in that order of priority.

- (c) *Provided that* our Shareholders have procured the issuance of a DSRA Credit Support in lieu of the funds standing to the credit of the Debt Service Reserve Account in accordance with the Finance Documents, the Offshore Account Bank shall promptly consult with the Global Facility Agent in order to confirm the issuance of such DSRA Credit Support and upon such confirmation the Offshore Account Bank shall pay to our Shareholders such funds in respect of which that DSRA Credit Support was issued to such account as our Shareholders shall specify to the Global Facility Agent from time to time.

### *Calls on DSRA Credit Support*

If:

- (a) any Acceptable Credit Support provided in respect of the Debt Service Reserve Account is cancelled or revoked for any reason;
- (b) by the date falling fifteen days before the expiry date of any Acceptable Credit Support provided in respect of the Debt Service Reserve Account, replacement Acceptable Credit Support has not been provided for the face amount thereof or, if lower, the face amount which, when aggregated with cash standing to the credit of the Debt Service Reserve Account at such time and the value of Authorized Investments at such time purchased with moneys therefrom, will equal the DSRA Required Balance at the expiry of the original DSRA Credit Support as determined by the Global Facility Agent; or
- (c) the issuer of any DSRA Credit Support ceases to constitute an Acceptable Credit Support Provider,

then, if substitute Acceptable Credit Support (other than in respect of paragraph (b) above) in respect of the Debt Service Reserve Account has not been provided to the Global Facility Agent within fifteen days thereafter, the Global Facility Agent may instruct the Offshore Security Trustee (providing notice of such instruction to our Sponsors) to claim under the applicable Acceptable Credit Support in an amount equal to the face amount under the applicable Acceptable Credit Support less (if not already deducted) the aggregate amounts previously claimed thereunder and credit the net proceeds thereof on receipt to the Debt Service Reserve Account.

Save as provided above, we are not entitled to request any payment from the Debt Service Reserve Account without the prior written consent of the Global Facility Agent except for the purposes of acquiring any Authorized Investments as described under “—*Authorized Investments*”.

## ***Maintenance Reserve Account***

### *Credits to the Maintenance Reserve Account*

We must procure that the Maintenance Reserve Account is funded in an amount not less than the MRA Required Balance on the Effective Date (whether by cash, Acceptable Credit Support or any combination thereof).

### *Payments to the Maintenance Reserve Account*

The Offshore Security Trustee must credit any amounts it receives under any MRA Credit Support to the Maintenance Reserve Account.

### *Transfers to the Maintenance Reserve Account*

In the event that on any Repayment Date the MRA Balance is less than the MRA Required Balance on that date, we must, on that Repayment Date, transfer from the Offshore Deposit Account to the Maintenance Reserve Account an amount equal to the lesser of the amount by which the MRA Required Balance exceeds the MRA Balance on that Repayment Date and the balance (if any) standing to the credit of the Offshore Deposit Account on that Repayment Date after all of the payments referred to in paragraphs (a) to (h) (inclusive) as detailed under “—*Offshore Deposit Account—Withdrawals from Offshore Deposit Account*” due to be made on or prior to that Repayment Date have been made.

### *Withdrawals of Balances in excess of MRA Required Balance*

If the MRA Balance on any Repayment Date exceeds the MRA Required Balance applicable to that Repayment Date (such excess, the “**MRA Excess Amount**”), we may:

- (a) transfer an amount from the Maintenance Reserve Account to the Offshore Deposit Account; and/or
- (b) procure that any MRA Credit Support is reduced or released and the Global Facility Agent must permit such reduction or release and take all necessary action in relation thereto as may be reasonably requested by us at our sole cost,

*provided that* the aggregate amount transferred, reduced or released shall not exceed the MRA Excess Amount.

### *Payments from Maintenance Reserve Account*

We may only withdraw amounts from the Maintenance Reserve Account to pay Operating and Maintenance Costs falling due in relation to the major maintenance of each of the gas turbines for our plant (including both hot gas path inspections and major inspections), *provided that* if our Shareholders have procured the issuance of MRA Credit Support in lieu of the funds standing to the credit of the Maintenance Reserve Account in accordance with the Finance Documents, the Offshore Account Bank shall promptly consult with the Global Facility Agent in order to confirm the issuance of such MRA Credit Support and upon such confirmation the Offshore Account Bank shall pay to our Shareholders such funds in respect of which the MRA Credit Support was issued to such account as our Shareholders shall specify to the Global Facility Agent from time to time.

### *Calls on MRA Credit Support*

If:

- (a) any Acceptable Credit Support provided in respect of the Maintenance Reserve Account is cancelled or revoked for any reason;
- (b) by the date falling fifteen days before the expiry date of any Acceptable Credit Support provided in respect of the Maintenance Reserve Account, replacement Acceptable Credit Support has not been provided for the face amount thereof or, if lower, the face amount which, when aggregated with cash standing to the credit of the Maintenance Reserve Account at such time and the value of Authorized Investments at such time purchased with moneys therefrom, will equal the MRA Required Balance at the expiry of the original MRA Credit Support as determined by the Global Facility Agent; or
- (c) the issuer of any MRA Credit Support ceases to constitute an Acceptable Credit Support Provider,

then, if substitute Acceptable Credit Support (other than in respect of paragraph (b) above) in respect of the

Maintenance Reserve Account has not been provided to the Global Facility Agent within fifteen days thereafter, the Global Facility Agent may instruct the Offshore Security Trustee (providing notice of such instruction to our Sponsors) to claim under the applicable Acceptable Credit Support in an amount equal to the face amount under the applicable Acceptable Credit Support less (if not already deducted) the aggregate amounts previously claimed thereunder and credit the net proceeds thereof on receipt to the Maintenance Reserve Account.

Save as provided above, we are not entitled to request any payment from the Maintenance Reserve Account without the prior written consent of the Global Facility Agent except for the purposes of acquiring any Authorized Investments as described under “—*Authorized Investments*”.

### ***Insurance and Compensation Account***

#### *Payments to Insurance and Compensation Account*

We shall:

- (a) use all reasonable efforts to convert any PWPA Termination Amount which we receive into U.S. dollars at the Calculation Date Exchange Rate (as defined in the Foreign Exchange Agreement) for that PWPA Termination Amount as soon as possible, and in any event within five Business Days after we receive the same;
- (b) convert any amount of Capital Compensation Proceeds received by us in any currency other than U.S. dollars into U.S. dollars promptly, and in any event, within five business days after we receive the same; and
- (c) procure that all proceeds of the sale or other disposal of assets as described in paragraph (d) under “*Covenants and Events of Default—Negative Covenants—Disposals*” are paid directly into the Insurance and Compensation Account.

#### *Sub-Accounts and Notification*

The Global Facility Agent may require any amount which has been, or is to be, paid into the Insurance and Compensation Account to be paid into a separate sub-account as it considers appropriate to assist in monitoring the application of such amount in accordance with “—*Insurance and Compensation Account*”. We must, at the time any moneys are paid into the Insurance and Compensation Account, notify the Global Facility Agent in writing of the source of those moneys and we may not withdraw any amount from the Insurance and Compensation Account while we have failed to give such notification.

#### *Withdrawals from Insurance and Compensation Account*

Save as may otherwise be agreed by the Global Facility Agent (acting on the instructions of the Majority Term Banks), we may only request withdrawals from the Insurance and Compensation Account:

- (a) in the case of moneys representing the proceeds of claims under third-party liability insurance policies, for application in final settlement of any third-party claim in respect of which those proceeds arose;
- (b) in the case of moneys representing the proceeds of a claim under physical loss or damage insurance policies where the proceeds of such claim when aggregated with all other claims under physical loss or damage insurance in respect of the same incident are less than US\$35,000,000, for application in reinstatement of the asset lost or damaged (and following any such application we shall deliver to the Global Facility Agent such receipts or certificates in relation thereto as the Global Facility Agent may reasonably require); or
- (c) in the case of moneys representing the proceeds of a claim under physical loss or damage insurance policies where the proceeds of such claim when aggregated with all other claims in respect of the same incident are at least US\$35,000,000 but less than US\$145,000,000, for application in reinstatement of the asset lost or damaged, we shall notify the Global Facility Agent within two months of the occurrence of the event causing loss or damage whether or not we intend to rebuild or repair the affected facility. We shall only be able to exercise our rights to rebuild or repair the affected facility if we have delivered the following items to the Global Facility Agent:
  - (i) a detailed breakdown of the nature and extent of the loss or damage incurred;
  - (ii) a *bona fide* assessment from a contractor reasonably acceptable to the Majority Term Banks estimating the costs and time frame necessary to rebuild or repair the damaged or affected asset in order for our

plant to operate at substantially the same level assumed in the Computer Model;

- (iii) a demonstration to the reasonable satisfaction of the Majority Term Banks that we shall have sufficient funds (including the Insurance Proceeds received in respect of such loss or damage and any other sources of funds) to pay for the proposed rebuilding or repair and pay Scheduled Debt Service during the period of such repairs or rebuilding;
- (iv) a demonstration to the reasonable satisfaction of the Global Facility Agent that if the then current Project Forecast were adjusted by the Global Facility Agent (following consultation with the Technical Adviser) to reflect the loss of, or damage to and reinstatement of such assets our project economics during the remaining term of our project will be materially at the level at which our project was operating prior to such loss or damage and in any event that for each Calculation Period commencing from the immediately succeeding Calculation Period the Projected Debt Service Coverage Ratio shall be at least 1.20:1;
- (v) a demonstration to the reasonable satisfaction of the Global Facility Agent that the Senior Debt will be repaid in full by the respective final maturity dates of each and in accordance with their then current amortization profiles;
- (vi) all contractual arrangements necessary for such reconstruction or repair with parties and terms reasonably acceptable to the Majority Term Banks accompanied by direct agreements (as appropriate and required) from each such party, in a form acceptable to the Majority Term Banks with the relevant entities constituting Major Project Parties and the relevant documents constituting Project Documents, or Finance Documents (as the case may be) in each case, for as long as the relevant documents confer obligations on those entities thereunder;
- (vii) certification by us that all Consents and, with respect to the Senior Facility Banks only, all Environmental Consents, necessary to repair or rebuild the facilities have been, or timely can be, obtained or have been irrevocably waived and are, in respect of the operation of the facilities, in effect; and
- (viii) certification by us that at the completion of such repair or reconstruction no Default will be continuing.

If we give notice that we will not rebuild or repair the affected facility, or fail to give any notice within the two month period referred to above or fail to obtain the consent of the Majority Term Banks (such consent not to be unreasonably withheld or delayed) required to rebuild or repair within the three months from the occurrence of the event causing loss or damage (or such longer period required by the Majority Term Banks to respond to us and as the Global Facility Agent shall notify to us), or if after giving a notice that we will rebuild or repair, we do not proceed to rebuild with diligence and in accordance with the Project Documents, Applicable Law and the Consents and, with respect to the Senior Facility Banks only, Environmental Consents, or we terminate such rebuilding or repair, or if the Insurance Proceeds are greater than or equal to US\$145,000,000 (or its equivalent) (indexed) in respect of any one event the Majority Term Banks may direct the Global Facility Agent to use the funds in the Insurance and Compensation Account to repay the outstanding Senior Debt in accordance with the provisions described under “*Cancellation and Prepayment—Common Mandatory Prepayment—Mandatory Prepayment from Capital Compensation Proceeds*”.

Following the repayment in full of the Senior Facility Banks, the Global Facility Agent shall administer “*Insurance and Compensation Account*” acting on the instructions of the Technical Adviser.

#### *Prepayments*

Amounts in the Insurance and Compensation Account not eligible for withdrawal in accordance with “*Withdrawals from Insurance and Compensation Account*” shall be used, upon the direction of the Majority Term Banks to prepay the Advances in accordance with “*Cancellation and Prepayment—Common Mandatory Prepayment—Mandatory Prepayment from Capital Compensation Proceeds*” and for no other purpose other than (if applicable) to pay to the Distribution Accounts an amount equal to the Additional Shareholder Funds contributed by our Shareholders in accordance with paragraph (b) under “*Events of Default—Loss or Damage*” and applied towards reinstatement in accordance with paragraph (b) under “*Events of Default—Loss or Damage*” only to the extent that Insurance Proceeds are actually received by us in respect of the destruction or damage referred to therein. No amount prepaid from the Insurance and Compensation Account may be redrawn.

## ***Revolving Dollar Account***

### *Establishment of the Revolving Dollar Account*

We shall establish and maintain the Revolving Dollar Account as a sub-account of the Onshore Operating Account.

### *Payments to the Revolving Dollar Account*

We shall procure that all Revolving Advances received or receivable by us pursuant to the Working Capital Facility Agreement which are denominated in U.S. dollars or any other currency other than dirhams are paid directly to, or immediately credited forthwith on receipt of the same to, the Revolving Dollar Account.

### *Withdrawals from Revolving Dollar Account*

Save as otherwise provided in the Common Terms Agreement, unless otherwise agreed by the Global Facility Agent (acting on the instructions of the Majority Term Banks), we may only withdraw amounts from the Revolving Dollar Account, and shall apply all amounts so withdrawn, only for the purposes and in the order of priority set out in “—*Onshore Operating Account—Withdrawals from Onshore Operating Account*” or for general working capital requirements whether denominated in dirhams or U.S. dollars.

## ***Blocking of Project Accounts and Payments to Offshore Security Trustee***

At any time following the occurrence of any Event of Default, which is continuing, the Global Facility Agent may give notice to the relevant Account Bank instructing it not to act on our instructions or requests in relation to any sums at any such time standing to the credit of any of the Project Accounts maintained with it, and each Account Bank agrees that it shall not so act, *provided that* we shall be entitled to make withdrawals from the Project Accounts to pay Operating and Maintenance Costs and Capital Costs:

- (a) that:
  - (i) have already fallen due for payment or that we are committed to incur but only to the extent incurred in accordance with the Common Terms Agreement; or
  - (ii) have been approved by the Majority Term Banks (acting in consultation with the Technical Adviser); and
- (b) in respect of which the Global Facility Agent has given notice to the Offshore Account Bank to act in accordance with our instructions.

If the Global Facility Agent has made a declaration or taken any other action contemplated by the provisions described under “—*Defaults and Remedies—Enforcement Action under the Common Terms Agreement*”, the Global Facility Agent is entitled to request the relevant Account Bank to make, and the relevant Account Bank shall make, payments from the amounts standing to the credit of the Project Accounts maintained with it to the Offshore Security Trustee for application in accordance with the provisions described under “—*Defaults and Remedies—Application of Senior Proceeds*”.

## **Authorized Investments**

### ***Application***

The provisions of “—*Authorized Investments*” shall apply to the Senior Facility Banks only and following the repayment in full of the Senior Facility Banks, we shall be entitled to apply all amounts standing to the credit of the Project Accounts in such investments as we may in our sole discretion decide whilst maintaining a balanced portfolio of investments reflecting our obligations under the Transaction Documents at all times.

Promptly on or after the Senior Termination Date, each Account Bank shall deliver, or procure the delivery of, any Authorized Investments purchased pursuant to “—*Authorized Investments*” and held by or to the order of that Account Bank at such time to us or our order or the person entitled thereto.

### ***Acquisition of Authorized Investments***

We may request and require those amounts standing to the credit of the Onshore Deposit Account, the Offshore Deposit Account, the Debt Service Reserve Account, the Maintenance Reserve Account or the Insurance and Compensation Account (the “**Relevant Accounts**”) be invested in Authorized Investments in accordance with “—*Authorized Investments*”.

### ***Investments in our Name or Name of Account Bank***

Subject to the provisions described under “—*Security over Authorized Investments*”:

- (a) Authorized Investments must be made in our name (or, if required by the Global Facility Agent, in the name of either the Onshore Security Trustee, the Offshore Security Trustee or any Account Bank (or the nominee or Affiliate of any such party), as applicable);
- (b) Authorized Investments must be made either with the Account Bank with which the Relevant Account is maintained or any subsidiary or nominee of that Account Bank as may be nominated by the relevant Account Bank or with persons other than an Account Bank in accordance with paragraph (c) below; and
- (c) Authorized Investments may only be made with persons other than the Account Banks if that person is a bank or financial institution which has agreed, in a form acceptable to the Global Facility Agent, that:
  - (i) the Authorized Investment is held to the order of an Account Bank on our behalf;
  - (ii) any payment in respect of the Authorized Investment will be remitted to the Account Banks in full without any deduction or withholding, except to the extent required by law;
  - (iii) the Authorized Investment will be subject to a legal, valid, fully perfected, fixed, first ranking security interest in favor of the Onshore Security Trustee pursuant to the Commercial Mortgage and Onshore Security Agreement or the Offshore Security Trustee pursuant to the Offshore Deeds of Charge and Assignment; and
  - (iv) it will not exercise, and will hold the Authorized Investment free of, any security interest, right of set-off, counterclaim or other interest which it may have.

### ***Security over Authorized Investments***

If our right, title and interest in and to any investment made in accordance with “—*Authorized Investments*” will not upon being made be subject to a legal, valid, fully perfected, fixed, first ranking security interest in favor of the Onshore Security Trustee pursuant to the Commercial Mortgage and Onshore Security Agreement or the Offshore Security Trustee pursuant to the Offshore Deeds of Charge and Assignment, we shall, prior to or contemporaneously with, the investment being made at our own cost do any act, make any filing or registration or sign, seal, execute and/or deliver such mortgages, charges, transfers, legal or other assignments, securities, deeds, notices or other documents as in each case the Global Facility Agent shall stipulate in such form as the Global Facility Agent may require to confer on the Offshore Security Trustee as trustee for the Finance Parties, a legal, valid, fully perfected, fixed, first ranking security interest satisfactory to the Global Facility Agent over all of our right, title and interest in and to that investment including, if required by the Global Facility Agent, ensuring that the Authorized Investments are held in the name of either the Onshore Security Trustee or the Offshore Security Trustee, as applicable.

All documents of title or other documentary evidence of ownership with respect to Authorized Investments will be held in the custody of a Security Trustee and, if any such document or other evidence comes into our possession or control, we shall procure that the same is delivered forthwith to the relevant Security Trustee.

### ***Disposal of Authorized Investments***

All disposals of Authorized Investments will be made at our request and on our behalf by the relevant Account Bank and that Account Bank shall apply the proceeds of any such disposal to the credit of the Project Account from which the amounts applied in making such Authorized Investment were withdrawn.

If any investment acquired in accordance with the provisions described under “—*Authorized Investments*” ceases to be an Authorized Investment, we will, unless the Global Facility Agent (acting on the instructions of the Majority Term Banks) otherwise consents, as soon as practicable after becoming aware thereof (and in any event no more

than five business days thereafter) procure the disposal thereof. Whilst no Default is continuing, the Global Facility Agent shall not require such disposal (and shall give its consent to not disposing of the relevant former Authorized Investment) in circumstances that could give rise to material break funding costs or penalty or premium unless the Global Facility Agent believes that there would be a Material Adverse Effect or Default under the provisions described under “*Covenants and Events of Default—Events of Default—Non-Payment*” if such investment were not disposed of.

### ***Receipt of Disposal Proceeds***

If, at any time, we receive any amount in respect of the disposal of an Authorized Investment or an investment that ceases to be an Authorized Investment in accordance with “—*Disposal of Authorized Investments*”, we shall forthwith pay such amount to the relevant Account Bank for the credit of the Relevant Account from which the amounts applied in the acquisition thereof were withdrawn.

### ***Balance of Project Account***

Any reference in the Common Terms Agreement to the balance standing to the credit of a Project Account will be deemed to include a reference to the Authorized Investments in which all or part of such balance is for the time being invested. The value of any Authorized Investment at any time for the purpose of determining the balance standing to the credit of a Project Account as described in “—*Authorized Investments*” shall be the market value thereof. Any interest or other income paid in respect of any Authorized Investment will be paid to the credit of the Project Account from which the amounts applied in the acquisition thereof were withdrawn.

### **Payments**

#### ***Currency of Account***

Subject to certain exceptions, the U.S. dollar is the currency of account and payment for each and every sum at any time due from us under any of the Finance Documents.

#### ***No Set-Off***

All payments required to be made by us under the Finance Documents shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim. This paragraph does not apply to any payment netting provisions contained in a Senior Permitted Hedging Agreement.

#### ***Clawback***

Where a sum:

- (a) is to be paid under a Finance Document to any Agent for the account of another person, such Agent shall not be obliged to make the same available to that other person until it has been able to establish to its satisfaction that it has actually received such sum, but if it does so and it proves to be the case that it had not actually received such sum, then the person to whom such sum was so made available shall, on request, refund the same to such Agent together with an amount sufficient to indemnify such Agent against any cost or loss it may have suffered or incurred by reason of its having paid out such sum prior to its having received such sum; or
- (b) has been made available by an Agent to us by transfer to a Project Account and it proves to be the case that such Agent had not actually received such sum, then, notwithstanding any other provision of the Common Terms Agreement, such Agent shall be entitled to:
  - (i) require the relevant Account Bank to pay out of the amount standing to the credit of such Project Account, at such time, an amount equal to the sum so transferred together with accrued interest thereon;
  - (ii) to the extent that there are insufficient funds standing to the credit of such Project Account to pay such Agent, require us (which requirement shall be binding on us) to immediately reimburse such Agent for such sum together with accrued interest thereon;
  - (iii) to the extent that we fail to make such reimbursement, require, at any time in the future, the relevant Account Bank to reimburse it from the amount standing to the credit of the relevant Project Account for any such sum together with accrued interest thereon; and

- (iv) require the Finance Party which should have made the sum in question available to such Agent to indemnify it against any cost or loss suffered or incurred by it (and in respect of which it has not received satisfaction pursuant to paragraphs (i), (ii) or (iii) above) by reason of its having transferred such sum to the relevant Project Account prior to its having received such sum.

### ***Set-Off***

We authorize each Finance Party to apply any credit balance to which we are entitled on any of our Project Accounts with that Finance Party in satisfaction of any sum due and payable from us to such Finance Party under any Finance Document but unpaid; for this purpose each Finance Party is authorized to purchase with the moneys standing to the credit of any such account such other currencies as may be necessary to effect such application. No Finance Party shall be obliged to exercise any right given to it by the provisions of “—*Payments*”.

### **Sharing**

#### *Redistribution of Payments*

If, at any time, the proportion which any Secured Finance Party (a “**Recovering Secured Finance Party**”) has received or recovered (whether by payment, the exercise of a right of set-off or combination of accounts or otherwise, but excluding any amount received or recovered from any assignee, risk participant or sub-participant of such Recovering Secured Finance Party) in respect of its portion of any payment (a “**Relevant Payment**”) to be made under any Finance Document by us for account of such Recovering Secured Finance Party and one or more other Senior Facility Banks is greater (the portion of such receipt or recovery giving rise to such excess proportion being herein called an “**Excess Amount**”) than the proportion thereof so received or recovered by the Secured Finance Party or Secured Finance Parties so receiving or recovering the smallest proportion thereof, then:

- (a) such Recovering Secured Finance Party shall inform the Global Facility Agent of such receipt or recovery and pay to the Offshore Security Trustee an amount equal to such Excess Amount;
- (b) there shall thereupon fall due from us to such Recovering Secured Finance Party an amount equal to the amount paid out by such Recovering Secured Finance Party pursuant to paragraph (a) above, the amount so due being, for the purposes hereof, treated as if it were an unpaid part of such Recovering Secured Finance Party’s portion of such Relevant Payment; and
- (c) the Offshore Security Trustee shall treat the amount received by it from such Recovering Secured Finance Party pursuant to paragraph (a) above as if such amount had been received by it from us in respect of such Relevant Payment and shall pay the same to the persons entitled thereto (including such Recovering Secured Finance Party) *pro rata*.

#### *Repayable Recoveries*

If any sum (a “**Relevant Sum**”) received or recovered by a Recovering Secured Finance Party in respect of any amount owing to it by us becomes repayable and is repaid by such Recovering Secured Finance Party, then:

- (a) each Secured Finance Party which has received a share of such Relevant Sum by reason of the implementation of the provisions described under “—*Redistribution of Payments*” shall, upon request of the Global Facility Agent, pay to the Offshore Security Trustee for account of such Recovering Secured Finance Party an amount equal to its share of such Relevant Sum; and
- (b) there shall thereupon fall due from us to each such Finance Party an amount equal to the amount paid out by it pursuant to paragraph (a) above, the amount so due being, for the purposes hereof, treated as if it were the sum payable to such Secured Finance Party against which such Secured Finance Party’s share of such Relevant Sum was applied.

### **Covenants and Events of Default**

#### **Positive Covenants**

##### *Application of Proceeds*

We shall apply the proceeds of any Senior Debt, any other Permitted Indebtedness or any Project Revenues only for the purposes permitted under the Transaction Documents.

### *Pari Passu Ranking*

We shall ensure that at all times the claims of the Finance Parties under the Finance Documents will rank at least *pari passu* with the claims of all our unsecured and unsubordinated creditors, other than claims mandatorily preferred under the laws of the Emirate of Fujairah solely by any fiscal, bankruptcy, insolvency, liquidation or similar laws of general application.

### *Operation*

We shall procure the operation, repair and maintenance of our plant in all material respects in accordance with:

- (a) all Applicable Laws (including Environmental Laws) and Consents and, with respect to the Senior Facility Banks only, Environmental Consents;
- (b) the requirements of the Major Project Documents, Good Industry Practice; and
- (c) with respect to the Senior Facility Banks only, the requirements of the EMP and all Environmental Consents.

We shall at all times maintain or have available to use such spare parts and other inventory of a type, in a number and in such condition as to enable us to operate our plant in accordance with Good Industry Practice at all times.

### *Application of Revenues*

We shall procure that all Project Revenues are paid directly, or promptly upon our receipt of the same, to the relevant Project Account in accordance with the Common Terms Agreement.

### *Compliance with Law*

We shall comply in all material respects with:

- (a) all Applicable Laws and all Environmental Laws;
- (b) the applicable environmental requirements of the Project Documents;
- (c) with respect to the Senior Facility Banks only, the EMP; and
- (d) any compliance or enforcement orders issued thereunder.

### *Consents*

We shall:

- (a) obtain, maintain and comply with or cause to be obtained and maintained or complied with in all material respects and maintain in full force and effect all Consents (and, with respect to the Senior Facility Banks only, the Environmental Consents) and all material conditions thereto, and supply to the Global Facility Agent upon request copies of any such Consent and, with respect to the Senior Facility Banks only, any such Environmental Consent; and
- (b) make all filings, notifications and notarizations which are necessary in order to:
  - (i) enable us lawfully to enter into, exercise our rights under and perform and comply with the material obligations expressed to be assumed by us under; and
  - (ii) ensure the legality, validity, enforceability or admissibility in evidence in each relevant jurisdiction of,

each of the Finance Documents and the Major Project Documents to which we are expressed to be a party,

in each case, in respect of the Bondholders only, where to fail to obtain, maintain, or comply with, such Consents would reasonably be expected to result in a Material Adverse Effect.

### *Transaction Documents*

We shall:

- (a) duly comply with, and perform our obligations in accordance with each Finance Document;
- (b) duly comply with and perform our obligations in accordance with the material terms and provisions of each Major Project Document to which we are a party;
- (c) diligently maintain, preserve, exercise, enforce and pursue our rights under the material terms and conditions of each Major Project Document to ensure the performance by the other parties thereto of their material obligations thereunder; and
- (d) keep the Major Project Documents, the Security Interests created by the Security Documents and the priority thereof in full force and effect in accordance with their respective terms and do all things necessary so as to ensure the same, including without limitation registering the Commercial Mortgage and Onshore Security Agreement with the Ministry of Finance as necessary.

### *Further Assurance*

We shall promptly grant and perfect valid, binding and enforceable, first priority security for the benefit of the Secured Finance Parties in such form as the Global Facility Agent shall reasonably require (taking into account what security is available) over any material new rights, assets or property acquired by us, *provided, however, that*, with respect to the Bondholders only, we shall have no duty to take such actions under this paragraph where the failure to take such actions would only result in an immaterial impairment of the Security contemplated by the Security Documents.

### *Appointment of Auditors and Maintenance and Inspection of Books and Records*

We shall:

- (a) appoint and maintain the appointment of the Auditors; and
- (b) maintain proper books, accounts and records of our operations in accordance with IFRS.

Subject to appropriate confidentiality arrangements, so long as an Event of Default has occurred and is continuing or the Global Facility Agent reasonably believes that an Event of Default may have occurred, we shall permit the Global Facility Agent to:

- (a) communicate directly with the Auditors concerning our financial condition; and
- (b) take copies of extracts from our books and records.

### *Taxes*

We shall file all Tax returns we are required to file pursuant to Applicable Law and pay all Taxes and any other governmental charges to which we are assessed liable as they fall due (unless the same are being contested in good faith by appropriate means and *provided that*, we have made appropriate reserves therefor).

### *Working Capital Information*

We and each Working Capital Bank will, promptly upon request by the Global Facility Agent, supply the Global Facility Agent with such information relating to the operation of the Working Capital Facility (including the amount outstanding thereunder) as the Global Facility Agent may from time to time request. We and each Working Capital Bank consent to such information being released to the Global Facility Agent and each Finance Party.

### *Notices*

We shall promptly after receipt thereof, provide the Global Facility Agent with copies of:

- (a) all default notices, termination notices, all other material notices, all material final reports or plans and all other material information delivered to, or by, us or on our behalf, under the terms of any Transaction Document, Insurance, Reinsurance or Consent and, with respect to the Senior Facility Banks only, Environmental Consent,

including any revisions to the Annual Operating Budget (as defined in the O&M Agreement) agreed for each Contract Year (as defined in the O&M Agreement), with respect to the Senior Facility Banks only, any Environmental Compliance Program (as defined in the O&M Agreement) and any revisions thereto from time to time and the monthly financial management reports, and the monthly and annual reports in relation to our project operations, in each case to be delivered pursuant to the O&M Agreement; and

- (b) all notices of default under, non-availability, termination or non-renewal of, or imposition of unusual or onerous conditions upon, material Consents and, with respect to the Senior Facility Banks only, material Environmental Consents and/or material violations of Applicable Law served on us and, with respect to the Senior Facility Banks only, any Environmental Consent.

#### *Leasehold*

We shall maintain our rights under the Land Lease, all easements, way leaves and other interests in land necessary for our project and good title to all of our other assets, subject only to the Security Interests contemplated or permitted by the Finance Documents.

#### *Insurances*

We shall maintain insurance coverage in such amounts and covering such risks of a character that, in our reasonable opinion, are no less favorable than the insurance coverage carried by companies engaged in similar business and that own similar properties, in each case, to ours, *provided that*, such insurance coverage is available to us on reasonable commercial terms (including, without limitation, cost).

#### *Maintenance of Project Accounts*

We shall comply with the provisions of the Common Terms Agreement relating to accounts and shall open and maintain the Project Accounts in accordance with such provisions.

#### *Corporate Existence*

We shall preserve, renew and keep in full force and effect our corporate existence as a duly incorporated joint stock company validly existing under the laws of the U.A.E. and the Emirate of Fujairah and our authority to conduct our business.

#### *Senior Permitted Hedging Agreements*

We shall:

- (a) ensure that at all times, from the expiry of the Hedge Grace Period until the Term Final Maturity Date, we are a party to one or more Senior Permitted Hedging Agreements, with an aggregate notional principal amount for each period of not less than an amount equal to the Required Hedged Amount for that period; and
- (b) with respect to the Senior Facility Banks only, comply at all times with the Hedging Policy and the hedging provisions set out in the Term Facility Agreement.

#### *Principal Place of Business*

We shall at all times have our principal place of business and executive office in the Emirate of Fujairah or the Emirate of Abu Dhabi and shall maintain in such place originals or copies of the principal books and records relating to our business.

#### *Heat Reclaimer Documents*

Prior to our entry into the Heat Reclaimer Procurement and Construction Contract, we shall procure the delivery of a report by the Technical Adviser, confirming that:

- (a) the Heat Reclaimer Procurement and Construction Contract will be substantially consistent with the scope of works delivered pursuant to the Global Amendment and Restatement Agreement;
- (b) the Heat Reclaimer Procurement and Construction Contract will be consistent with the Technical Adviser's report delivered pursuant to the Global Amendment and Restatement Agreement; and

- (c) the proposed contractor under the Heat Reclaimer Procurement and Construction Contract is suitably qualified with the necessary experience required to undertake works of the nature set out in such Heat Reclaimer Procurement and Construction Contract.

As soon as possible following our entry into the Heat Reclaimer Procurement and Construction Contract, we shall:

- (a) deliver to the Global Facility Agent a certificate of a duly authorized officer on our behalf attaching a copy, certified as true, of the Heat Reclaimer Procurement and Construction Contract;
- (b) procure the delivery of a high-level summary of the Heat Reclaimer and Procurement Contract prepared by the Finance Parties' external counsel.

## **Negative Covenants**

### *Further Financial Indebtedness*

We shall not create, incur, permit to subsist or be liable for any Financial Indebtedness except for the following (“**Permitted Indebtedness**”):

- (a) the Senior Debt;
- (b) the Senior Permitted Hedging Agreements;
- (c) Treasury Transactions;
- (d) Shareholders Funds;
- (e) trade indebtedness, the aggregate amount of which does not, at any time, exceed US\$1,000,000 (or its equivalent), incurred in the ordinary course of our business not more than 90 days past due or if past due, which is being disputed by us in good faith and evidenced by supporting documentation reasonably acceptable to the Global Facility Agent; and
- (f) any other Financial Indebtedness, the aggregate amount of which does not, at any time, exceed US\$2,500,000 (or its equivalent).

### *Negative Pledge*

We shall not create, grant, extend or permit to exist any lien or encumbrance, upon any of our assets or properties (existing or future), other than the Permitted Security Interests.

### *Change of Business*

We shall not engage in any business or activity other than:

- (a) the business contemplated in the Transaction Documents; and
- (b) activities associated with or incidental to the operation or maintenance of our project.

### *Disposals*

We shall not sell, transfer, factor, discount, assign, lease, lend or dispose of (by one or more transactions or series of transactions and whether at the same time or over a period of time) all or any of our present or future rights, undertakings, assets or revenues except:

- (a) as expressly permitted in the Transaction Documents;
- (b) any sales or dispositions of electricity or desalinated water made in the ordinary course of business;
- (c) any such transactions made outside the ordinary course of business having an aggregate fair value consideration in any given year not exceeding US\$500,000 (or its equivalent);
- (d) any sales or dispositions of surplus, obsolete or worn out equipment;

- (e) any sales or dispositions of assets to the extent such assets are replaced with substantially similar assets of equal or greater value and in respect of which the Finance Parties have been granted an equivalent Security Interest; and
- (f) with respect to the Bondholders only, disposals in the ordinary course of business of assets not to exceed US\$5,000,000 in any single disposal and US\$25,000,000 in aggregate in any fiscal year, *provided that*, any such disposal does not have a Material Adverse Effect.

#### *Liquidation or Merger*

We shall not voluntarily enter into liquidation or dissolution or consolidate or merge with any other person or enter into any amalgamation, demerger, reconstruction, joint venture, partnership or analogous arrangement or have, at any time, any subsidiary or any interest (whether by shareholding, partnership or otherwise) in any other person (other than as an Authorized Investment).

#### *No Waiver*

- (a) We shall not agree to or permit any adverse (from our point of view) amendment to, variation or waiver of any of the material terms or conditions of:
  - (i) any of the Project Documents to which we are a party;
  - (ii) any Consent (other than, in respect of the Bondholders only, any Environmental Consent).
- (b) We shall not agree to or permit any amendment to, variation or waiver of any of the terms or conditions of the Procurer Credit Support.
- (c) We shall not cancel, suspend, terminate or revoke, or agree to the cancellation, suspension, termination or revocation of any Project Document or any Finance Document, prior to the stated maturity or term thereof, *provided that*, with respect to the Bondholders only, we shall be entitled to cancel, suspend, terminate or revoke any Project Documents (other than the PWPA and the Procurer Credit Support) if any such cancellation, suspension, termination or revocation does not have a Material Adverse Effect or is permitted pursuant to the terms of the Transaction Documents.
- (d) We shall not enter into any document which would conflict with:
  - (i) the effectiveness of; or
  - (ii) in any respect, the transactions contemplated by,
 the Procurer Credit Support.
- (e) We shall not agree to or permit any waiver of any claim for an Event of Force Majeure or an Event of Government Action or Inaction, except, with respect to the Bondholders only, where any such waiver does not have a Material Adverse Effect.

#### *Loans and Guarantees*

We shall not make any loan, grant any credit, enter into any investment or give any guarantee or indemnity to or for the benefit of any person or otherwise assume any liability or become obliged, whether actually or contingently, in respect of any obligation of any other person or acquire any stock or securities of any other person other than:

- (a) Authorized Investments entered into in accordance with the provisions of the Common Terms Agreement;
- (b) credit granted in the ordinary course of our business in an aggregate amount from time to time of not more than, with respect to the Senior Facility Banks only, US\$1,000,000 (or its equivalent from time to time in other currencies) and, with respect to the Bondholders only, US\$15,000,000 (or its equivalent from time to time in other currencies);
- (c) any credit granted to the Procurer under the terms of the PWPA;
- (d) out of moneys standing to the credit of the Distribution Accounts; or

- (e) as otherwise required by the Transaction Documents or expressly permitted under the Finance Documents.

#### *Use of Proceeds*

We shall not use:

- (a) the proceeds of:
- (i) the Shareholders Funds or Additional Shareholders Funds;
  - (ii) the Senior Debt; or
  - (iii) any other facilities entered into by us in accordance with the Finance Documents to ensure the full funding of our project in accordance with the Computer Model; or
- (b) Project Revenues,
- in any manner or for any purpose except as permitted under the Finance Documents.

#### *Suspension and Abandonment*

We shall not suspend or permit, agree to or recommend any suspension or abandonment of the operation or maintenance of all or any material part of our plant, any power unit, any desalination unit, the Existing RO Plant or the New RO Plant except:

- (a) any suspension:
- (i) for a Scheduled Outage;
  - (ii) for any other circumstances in which we are required to suspend operation of our plant pursuant to the PWPA;
  - (iii) arising from an Event of Force Majeure or Event of Government Action or Inaction;
  - (iv) for maintenance and repairs to be carried out in accordance with Applicable Law or Good Industry Practice;
  - (v) resulting from a demobilization of the Operator or the DBO Contractor as a consequence of an Event of Force Majeure or Event of Government Action or Inaction *provided that*, such demobilization has been approved by the Global Facility Agent (acting in consultation with the Technical Adviser who shall have regard to (amongst other things) the logistics of remobilization and as to whether extensions of time corresponding to such periods of demobilization have been granted under the O&M Agreement, the DBO Agreement and/or the PWPA); or
  - (vi) by a counterparty pursuant to its express rights under a Transaction Document (other than as a result of any default by us),

and, in each case only: (A) so long as we use all reasonable endeavors to resume the operation or maintenance of our plant, the relevant power unit or desalination unit as soon as possible; and (B) if such suspension does not continue for a period which would be likely to result in exhaustion of all of our business interruption insurance (except where we have sufficient funds from other sources (including funds provided by Shareholders) as reserves in lieu of the exhaustion of the relevant insurance), except with the prior consent of the Global Facility Agent (acting on the instructions of the Majority Term Banks); or

- (b) with respect to the Bondholders only, any suspension that does not have a Material Adverse Effect.

#### *Capital Assets*

We shall not acquire any capital assets (whether by means of sale and purchase, lease, conditional sale, instalment sale, hire purchase or otherwise) other than:

- (a) in accordance with the then current Annual Operating Budget (taking into account any amendments thereto with

the consent of the Majority Term Banks and any applicable allowances or contingencies therein);

- (b) in order to repair or replace lost or damaged assets which are adequately insured against;
- (c) under or in accordance with the Heat Reclaimer Procurement and Construction Contract;
- (d) as expressly permitted by the Finance Documents;
- (e) to the extent such capital assets are required to be purchased as a result of an unforeseen event and do not exceed US\$5,000,000 (or its equivalent) per calendar year (indexed); or
- (f) with respect to the Bondholders only, where such acquisition does not have a Material Adverse Effect.

#### *Project Costs*

We shall not without the prior approval of the Global Facility Agent (acting on the instructions of the Majority Term Banks), such approval not to be unreasonably withheld or delayed, spend, commit to spend or incur Operating and Maintenance Costs and Capital Costs except:

- (a) Operating and Maintenance Costs and Capital Costs required for the purposes of our project in accordance with the Annual Operating Budget, not exceeding 105% of the relevant Operating and Maintenance Costs and Capital Costs set out therein;
- (b) Operating and Maintenance Costs and Capital Costs in accordance with the Annual Operating Budget, as applicable, exceeding 105% but not exceeding 110% of the relevant Operating and Maintenance Costs and Capital Costs set out therein only to the extent the Technical Adviser deems reasonably necessary (responding within three business days to a request from us accompanied by sufficient information and supporting documents) in order to safeguard the assets of our project or preserve the safe and continuous operation of our plant;
- (c) in relation to expenditure which can be passed through to the Price under the PWPA; or
- (d) with respect to the Bondholders only, Capital Costs, the incurrence of which does not have a Material Adverse Effect.

#### *New Agreements*

We shall not enter into any new Project Documents or other material contract or assume other material obligations or permit the material subcontracting of any services to be provided under any of the Project Documents except:

- (a) the Access Road Agreement;
- (b) the Heat Reclaimer Procurement and Construction Contract;
- (c) as expressly permitted in the Finance Documents or otherwise approved by the Global Facility Agent (acting on the instructions of the Majority Term Banks), such approval not to be unreasonably withheld or delayed; or
- (d) with respect to the Bondholders only, where to do so would not have a Material Adverse Effect.

#### *Constitutional Documents*

We shall not amend, or permit any amendment to, our constitutional documents, nor alter any rights attaching to our shares, or permit the same.

#### *Share Repurchase*

We shall not repurchase, cancel, redeem or otherwise acquire any of our share capital or any option over our share capital or issue any new Shares (except in respect of the issue of new Shares to Shareholders pursuant to and in accordance with the Shareholders' Direct Agreement or to Shareholders that have provided Additional Shareholder Funds by way of subscription for Shares) if any single instance of repurchase, cancellation, redemption, acquisition or issuance (whether alone or taken together with any other such instance):

- (a) in the reasonable opinion of the Majority Term Banks has, will have or could be expected to have a Material Adverse Effect; or
- (b) with respect to the Bondholders only, would have a Material Adverse Effect, *provided that*, without prejudice to our obligations under any other term of the Finance Documents, we shall be permitted to repurchase, cancel, redeem or otherwise acquire any of our share capital if:
  - (i) the consideration in respect of such repurchase, cancellation, redemption or other acquisition is cash only;
  - (ii) the aggregate amount of the consideration in respect of such repurchase, cancellation, redemption or other acquisition, when aggregated with the consideration paid by us in respect of all other repurchases, cancellations, redemptions or other acquisitions of our share capital since the Effective Date, does not exceed US\$50,000,000 (or its equivalent in other currencies); and
  - (iii) any payments made in respect of such repurchase, cancellation, redemption or acquisition are funded from amounts standing to the credit of the Distribution Accounts.

#### *Hedging Agreements*

We shall not enter into any Hedging Agreements except:

- (a) with respect to the Senior Facility Banks only, Senior Permitted Hedging Agreements entered into or maintained in accordance with the Hedging Policy, as amended from time to time in accordance with the Term Facility Agreement; and
- (b) with respect to the Bondholders only, hedging arrangements entered into for non-speculative purposes.

#### *Transactions with Affiliates*

We shall not enter into any agreement or arrangement with a Shareholder or our Affiliates except on an arm's length basis and on commercially reasonable terms.

#### *No Security over Shares*

We shall not permit the creation or grant of any encumbrance over our Shares or those of SGHoldCo other than pursuant to the Company Share Pledge Agreements and the SGHoldCo Share Mortgage Agreement.

#### *Winding Up*

We shall not take any action or omit to take any action which would lead to our winding-up.

#### *Procurer Credit Support*

We shall not do anything which may prejudice our rights under the Procurer Credit Support and shall immediately notify the Global Facility Agent upon becoming aware of any matter which may prejudice our rights under the Procurer Credit Support.

#### *Immunity*

We shall not, in any proceedings in the U.A.E., the Emirate of Fujairah or the Emirate of Abu Dhabi in relation to any Finance Document, claim, or seek in any way to claim, for ourselves or any of our assets, immunity from execution, attachment or other legal process.

#### *Subordinated Loans*

We shall not make, agree to, or permit any material amendment to, variation or waiver of any of the terms of any Subordinated Loan Agreement or any other Subordinated Liability except:

- (a) to the extent expressly permitted by the Shareholders' Direct Agreement; or
- (b) with respect to the Bondholders only, where such acts do not have a Material Adverse Effect.

### *Joint Ventures, Etc.*

We shall not enter into any joint venture, partnership or analogous arrangement in relation to our project or otherwise or acquire any Subsidiary (whether by formation or otherwise) or any interest (whether by shareholding, partnership or otherwise) in any other person.

### *Project Documents and Consents*

We shall not agree to or permit any assignment, novation or transfer of any of the rights and/or obligations of any person under any Project Document other than:

- (a) as expressly permitted under the Finance Documents; or
- (b) with respect to the Bondholders only and excluding the PWPA and the Procurer Credit Support, where such action would not have a Material Adverse Effect.

### **Events of Default**

Each of the events or circumstances referred to in the provisions described under “—*Events of Default*” is an Event of Default under the Common Terms Agreement.

In the case of an Event of Default occurring with respect to the Bonds:

- (a) in the case of a failure by us to perform or comply with the provisions described under “—*Positive Covenants—Consents*”;
- (b) under paragraph (d) of “—*Information, Project Forecasts and Reports—Information—Other Information*”;
- (c) under “—*Negative Covenants—Share Repurchase*”;
- (d) under paragraph (e) of “—*Events of Default—Breach of Transaction Document by the project company*”;
- (e) under paragraph (d) of “—*Events of Default—Insolvency Events*”;
- (f) under paragraph (c) of “—*Events of Default—Judgments*”;
- (g) under “—*Events of Default—Other Breaches of Project Documents*”,

in each case on the basis that a Material Adverse Effect has occurred as contemplated by that paragraph, no Senior Debt Holder Group Representative acting on behalf of the Bondholders shall be entitled to notify the Global Facility Agent under “—*Intercreditor Matters—Defaults and Remedies—Notice of Defaults*” that an Event of Default has occurred or make a request to the Global Facility Agent pursuant to the provisions described under the first paragraph of “—*Intercreditor Matters—Defaults and Remedies—Request for the Exercise of Remedies*” in relation to the same if the Majority Term Banks have previously determined that no Material Adverse Effect has occurred as contemplated by those provisions (and such determination has not been revoked by the Majority Term Banks).

### *Non-Payment*

- (a) We fail to pay any:
  - (i)
    - (A) principal, interest (including any Additional Amounts due and payable under the Indenture) or fees due under any Finance Document at the time, in the currency and in the manner specified therein; or
    - (B) Bond Redemption Amount due and payable under the Indenture,

in each case, unless such failure is due solely to technical or administrative delays in the transmission of funds outside our control and payment is made within three business days after becoming due; or

- (ii) other payment obligation which falls due under any Finance Document within fifteen days after becoming due.
- (b) Any Obligor fails to pay any sum due from it under any Finance Document or Major Project Document, or fails to pay any amount to the credit of a Project Account or apply any amount standing to the credit of a Project Account, at the time, in the currency and in the manner specified in such Finance Document or Major Project Document unless the relevant amount is paid in full within ten business days of the date notice of such failure has been served on the Obligor and us by the Global Facility Agent.

*Breach of Finance Documents by Major Project Parties*

- (a) The Government of the Emirate of Abu Dhabi fails to perform or comply with any of the obligations expressed to be assumed by it in certain provisions of the Foreign Exchange Agreement in relation to an inability to convert termination payment, transferability and change in law;
- (b) Any provider of a Reserve Letter of Credit fails to make a payment under and in accordance with a Reserve Letter of Credit following a demand by the Offshore Security Trustee (unless the amount demanded by the Offshore Security Trustee has been paid by an Obligor or the provider of the Reserve Letter of Credit within three business days after becoming due);
- (c) Any of our Shareholders, SCU or ADWEA or any party to a Direct Agreement (other than us) fails to comply with any obligation (other than any obligation expressly dealt with in “—*Non-Payment*”) expressed to be assumed by it in any Common Finance Document, and, if such failure is, in the reasonable opinion of the Majority Term Banks, capable of remedy, such failure is not remedied to the reasonable satisfaction of the Global Facility Agent within 30 days of such failure or within such longer period not exceeding 60 days from the date of such failure, *provided that*:
  - (i) such Obligor or party is proceeding with diligence and good faith to remedy such failure during such period; and
  - (ii) the Global Facility Agent determines prior to the expiry of the initial 30 day remedy period (if any) that such longer period would not adversely affect the interests of the Secured Finance Parties under the Common Finance Documents or the Security granted to the Secured Finance Parties pursuant to the Security Documents,

*provided further that*, in respect of the Bondholders only, there will not be an Event of Default under this paragraph if such failure to comply is remedied within 60 days from the date of such failure.

*Breach of Transaction Document by the project company*

- (a) We fail to comply with any of the obligations set out under “—*Positive Covenants—Pari Passu Ranking*” or “—*Positive Covenants—Corporate Existence*”.
- (b) We fail to comply with any obligations under “—*Positive Covenants—Insurances*” or “—*Negative Covenants*” and, if such failure is, in the reasonable opinion of the Majority Term Banks, capable of remedy, such failure is not remedied within fifteen days of such failure.
- (c) We fail to comply with any obligations under “—*Information, Project Forecasts and Reports—Information—Annual Statements*”, “—*Information, Project Forecasts and Reports—Information—Unaudited Financial Statements and Management Accounts*”, “—*Information, Project Forecasts and Reports—Information—Accounting Policies and Other Requirements*”, “—*Information, Project Forecasts and Reports—Project Forecasts*,” “—*Information, Project Forecasts and Reports—Computer Model*”, “—*Information, Project Forecasts and Reports—Operating Budgets and Reports*” or “—*Positive Covenants*” not referred to in paragraphs (a) and (b) above and, if such failure is, in the reasonable opinion of the Majority Term Banks, capable of remedy, such failure is not remedied within 30 days of such failure.
- (d) We fail to comply with any other obligations under the Common Finance Documents (other than any obligation expressly dealt with in “—*Non-Payment*” or paragraphs (a) to (c) above) and, if such failure is, in the reasonable opinion of the Majority Term Banks, capable of remedy, such failure is not remedied within 30 days of such failure or within such longer period not exceeding 60 days from the date of such failure, *provided that*:
  - (i) we are proceeding with diligence and good faith to remedy such failure during such period; and

- (ii) the Global Facility Agent determines prior to the expiry of the initial 30 day remedy period (if any) that such longer period would not adversely affect the interests of the Secured Finance Parties under the Common Finance Documents or the Security granted to the Secured Finance Parties pursuant to the Security Documents.
- (e) We fail to comply with any obligations under the Project Documents, if such failure in the reasonable opinion of the Majority Term Banks has, will have or could reasonably be expected to have a Material Adverse Effect, and if such failure is, in the opinion of the Majority Term Banks, capable of remedy, such failure is not remedied within 30 days of such failure.
- (f) Notwithstanding paragraphs (a) to (e) above, in respect of the Bondholders only, there will not be an Event of Default under “—*Breach of Transaction Document by the project company*” if such failure to comply is remedied within 60 days from the date of such failure.

#### *Other Breaches of Project Documents*

Any party (other than us) fails to comply with its obligations (other than any breach expressly dealt with under “—*Non-Payment*”) under any of the Project Documents that in the reasonable opinion of the Majority Term Banks has, will have or could reasonably be expected to have, a Material Adverse Effect (ignoring the effect of such default on the ability of such party to perform and comply with the relevant obligations under the relevant Project Documents in paragraph (d) of the definition of Material Adverse Effect), *provided that*, in respect of the Bondholders only, there will be no Event of Default under “—*Other Breaches of Project Documents*” unless such Event of Default arises with respect to the PWPA.

#### *Facility Events of Default*

A Term Event of Default:

- (a) has occurred and is continuing; and
- (b) has not been waived by the Term Banks pursuant to the terms of the Term Facility Agreement.

#### *Insolvency Events*

- (a) Any Major Project Party (in the case of ADWEA, to the extent applicable under Applicable Laws) is bankrupt or insolvent or is unable to, or shall admit in writing its inability to, pay its debts as they fall due or commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its Financial Indebtedness or makes a general assignment for the benefit of, or a composition with, its creditors;
- (b) an order or judgment is made for the winding-up, dissolution, administration, bankruptcy or re-organization or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee, bankruptcy trustee or similar officer in respect of a Major Project Party (in the case of ADWEA, to the extent applicable under Applicable Laws) or in our case, all or any of our assets or revenues;
- (c) any execution, distress or other process is levied or sued out against or enforced upon or an encumbrancer or creditor attaches or takes possession of any of our material property or assets or that of any other Major Project Party;
- (d) in the case of ADWEA, any action is taken or formally proposed for the dissolution of ADWEA or the termination of its existence or to reduce, impair or otherwise affect its powers or authority in a manner or to an extent that could reasonably be expected to have a Material Adverse Effect on its ability to perform its obligations under the Common Terms Agreement; and
- (e) any event occurs which under the laws of any jurisdiction has a similar or analogous effect to any of those mentioned in paragraphs (a) to (d) above,

*provided that* there will not be an Event of Default under “—*Insolvency Events*” where the affected Major Project Party is SCU, the Operator, the Operator Parent Company Guarantor, the DBO Contractor or a provider of a Reserve Letter of Credit if we can demonstrate within 60 days of notice from the Global Facility Agent to the reasonable satisfaction of the Majority Senior Debt Holders that we can procure an acceptable substitute in respect of the affected Major Project Party to discharge the relevant duties on terms and within a time period reasonably acceptable to the Majority Term Banks and we then procure such substitute in the way and in the applicable time period agreed

to by the Majority Term Banks (acting reasonably); and

Notwithstanding paragraphs (a) to (e) above, in respect of the Bondholders only, there will not be an Event of Default under “—*Insolvency Events*” unless such Event of Default arises with respect to us or the Government of the Emirate of Abu Dhabi.

### *Judgments*

At any time:

- (a) one or more final non-appealable judgment or decree is entered against us, which are, in the aggregate, in excess of US\$1,000,000 with respect to the Senior Facility Banks only (or US\$20,000,000 with respect to the Bondholders only), (or its equivalent) (indexed) and such judgment or decree has not been paid, stayed or discharged within 30 days;
- (b) an injunction is entered requiring suspension or abandonment of operation of our project and such injunction has not been stayed within 30 days *provided that*, if we are diligently pursuing an appeal against such injunction in good faith, that period may be extended to a maximum 90 day period with the consent of the Majority Term Banks; or
- (c) one or more final non-appealable judgment or decree is entered against any Major Project Party (other than us and SCU) which are, in the aggregate in respect of that Major Project Party, in excess of US\$1,000,000 with respect to the Senior Facility Banks only (or US\$20,000,000 with respect to the Bondholders only) (or its equivalent) (indexed) which, has, will have or could reasonably be expected to have a Material Adverse Effect in the reasonable opinion of the Majority Term Banks, *provided that*:
  - (i) with respect to the Senior Facility Banks only, there will not be an Event of Default under “—*Judgments*” where the affected Major Project Party is SCU, the Operator, the Operator Parent Company Guarantor, the DBO Contractor or a provider of a Reserve Letter of Credit if we can demonstrate within 60 days of notice from the Global Facility Agent to the reasonable satisfaction of the Majority Term Banks that we can procure an acceptable substitute in respect of the affected Major Project Party to discharge the relevant duties on terms and within a time period reasonably acceptable to the Majority Term Banks and we procure such substitute in the way and in the applicable time period agreed to by the Majority Term Banks (acting reasonably); and
  - (ii) with respect to the Bondholders only, there will not be an Event of Default under “—*Judgments*” if the judgment, decree or order is stayed or complied with or remedied within 60 days or the affected Major Project Party is diligently contesting such judgment or order by appropriate proceedings and has made provision for the payment thereof in full.

### *Governmental Intervention*

The Government of the United Arab Emirates, the Government of the Emirate of Abu Dhabi, the Government of the Emirate of Fujairah or any Competent Authority takes, or states officially that it intends to take, any step with a view to:

- (a) the seizure, expropriation, nationalization or acquisition of any of our Shares or any of our assets or revenues unless we demonstrate to the reasonable satisfaction of the Global Facility Agent that we will receive adequate compensation in respect of such Shares, assets or revenues which will be applied in accordance with the provisions described under “*Accounts—Insurance and Compensation Account—Payments to Insurance and Compensation Account*”; or
- (b) the displacement, wholly or partially, of our management or the curtailment, wholly or partially, of the conduct of our business,

in each case, *provided that*, in respect of the Bondholders only, there will be no Event of Default under “—*Governmental Intervention*” unless such seizure, expropriation, nationalization, acquisition or displacement would have a Material Adverse Effect.

### *Immunity*

We claim for ourselves or any of our assets, or any Shareholder or any Sponsor claims for itself or any of its assets, immunity from suit, execution, attachment or other legal process in the United Arab Emirates, the Emirate of Abu Dhabi or the Emirate of Fujairah (in the case of ADWEA, in respect of the Transaction Documents or the transactions contemplated thereby).

### *Loss or Damage*

The whole or any material part of our plant is destroyed or irreparably damaged unless:

- (a) if paragraph (c) under “*Accounts—Insurance and Compensation Account—Withdrawals from Insurance and Compensation Account*” applies to such destruction or damage, we have satisfied all the conditions thereof and otherwise complied with the requirements set out in paragraphs (c), (d) and (e) under “*Accounts—Insurance and Compensation Account—Withdrawals from Insurance and Compensation Account*” and obtained the consent of the Global Facility Agent (for so long as the Term Facility is outstanding, acting on the instructions of the Majority Term Banks, thereafter acting on the instructions of the Insurance Adviser) required to rebuild or repair our plant in accordance with the provisions set out under “*Accounts—Insurance and Compensation Account—Withdrawals from Insurance and Compensation Account*” within three months, in respect of the Senior Facility Banks only (within 180 days in respect of the Bondholders only) from the occurrence of the event causing loss or damage; and
- (b) in all cases, within 120 days with respect to the Senior Facility Banks only (within 360 days with respect to the Bondholders only) of such destruction or damage or such longer period as the Global Facility Agent may agree (acting in consultation with the Insurance Adviser), we have received Insurance Proceeds and/or Additional Shareholder Funds in respect thereof in an aggregate amount sufficient to fully reinstate our plant and have applied such proceeds towards such reinstatement in accordance with the provisions described under “*Accounts—Insurance and Compensation Account—Withdrawals from Insurance and Compensation Account*”.

### *PWPA Termination Amounts*

Any PWPA Termination Amount becomes due and payable.

### *Security Interests*

Any Security Document (other than any Direct Agreement) does not or ceases to constitute legal, valid, fully perfected, fixed (where required to be fixed), first ranking security over the assets and revenues therein expressed to be subject to such security *provided that*, there will not be an Event of Default under “—*Security Interests*” if we demonstrate to the satisfaction of the Global Facility Agent within:

- (a) with respect to the Senior Facility Banks only, fifteen days; or
- (b) with respect to the Bondholders only, 60 days,

of such Security Document ceasing to constitute legal, valid, fully perfected, fixed (where required to be fixed), first ranking security that replacement or substitute security satisfactory to the Global Facility Agent has been executed and is legal, valid, fully perfected, fixed (where required to be fixed), first ranking and enforceable and secures the same assets and revenues as such Security Document.

### *Procurer Credit Support*

The Procurer Credit Support is suspended, cancelled, revoked, forfeited, surrendered or terminated (whether in whole or a part thereof) or otherwise ceases to be in full force and effect (except as a result of being terminated pursuant to and in accordance with the PWPA) or all or any of the obligations expressed to be assumed by the Government of the Emirate of Abu Dhabi thereunder cease to be legal, valid, binding and enforceable.

### *Cross Default*

Any of our Financial Indebtedness (other than Financial Indebtedness under any Subordinated Loan Agreements) is not paid when due (after giving effect to any applicable grace period) or any of our creditors declare any of our indebtedness due and payable prior to its specified maturity, and the aggregate amount of all such indebtedness is not less than US\$1,000,000 with respect to the Senior Facility Banks only (or US\$20,000,000 with respect to the

Bondholders only) (or its equivalent).

### **Remedies following Default**

If an Event of Default is continuing, the Global Facility Agent may (and, if so instructed in accordance with the provisions under “—*Intercreditor Matters—Defaults and Remedies*” shall) and, if required by the Finance Documents, upon notice to us, take any Enforcement Action or instruct the Term Facility Agent, the Bond Trustee, any Security Trustee or any Account Bank to take any Enforcement Action (any such instruction taking effect in accordance with its terms).

If any Enforcement Action results in the cancellation, termination or suspension of the Working Capital Commitment, all Working Capital Commitments shall immediately be, as the case may be, cancelled, terminated or suspended.

If any Enforcement Action results in the acceleration of the Advances outstanding under the Term Facility or the acceleration of the Bonds outstanding under any Bond Documents, any Working Capital Loans shall become immediately due and payable and all Working Capital Commitments shall immediately be cancelled.

### **Intercreditor Matters**

#### ***Decision Making Process***

##### *General*

- (a) Each Secured Finance Party must act through its Senior Debt Holder Group Representative in respect of all decisions taken in accordance with the provisions described under “—*Intercreditor Matters*”.
- (b) We do not have any rights under the provisions described under “—*Intercreditor Matters*” and no undertaking is given (or deemed to be given) to us or for our benefit.
- (c) Any decision as regards the exercise of any right by any Secured Finance Party under or in relation to any Finance Document (including decisions as to whether amendments and waivers may be permitted to any Finance Document and in relation to decisions as regards any Enforcement Action) will only be made in accordance with the terms of “—*Intercreditor Matters*”.
- (d) Each Senior Debt Holder Group which is required to take any decision in accordance with the Common Terms Agreement shall respond to the relevant Senior Debt Holder Group Representative with its decision promptly, and in any case, no later than the last day of the relevant Voting Time Period, *provided that*, if the requisite Term Banks or the Bondholders fail to respond to the relevant Senior Debt Holder Group Representative with a decision within the relevant Voting Time Period, paragraph (b) of “—*Voting*” shall apply with respect to such Term Banks and paragraph (c) of “—*Voting*” shall apply with respect to such Bondholders.
- (e) No Global Facility Agent, Senior Debt Holder Group Representative, Security Trustee or Account Bank shall have any liability howsoever caused resulting from the late receipt (or total failure of receipt) of any notice by, or of any decision of, any Secured Finance Party.
- (f) Notwithstanding anything else in the Common Terms Agreement, where a waiver, consent, amendment or other decision or determination requires an instruction of the Bondholders and where, pursuant to the terms of the Bond Documents, the Bond Trustee may act without the consent of the relevant Bondholders, the Bond Trustee may make such waiver, consent, amendment or other decision or determination as if the Bond Trustee was so instructed by all of the relevant Bondholders.

##### *General decisions*

Subject to “—*Preservation of Security*” and except as provided in “—*Intercreditor Matters—Defaults and Remedies*”:

- (a) all decisions by the Security Trustees or the Account Banks relating to amendments, waivers or any other decision or determination shall, unless otherwise provided in the Common Terms Agreement, be made in accordance with the instructions of the Global Facility Agent;
- (b) all decisions of any Senior Debt Holder Group and the Working Capital Bank relating to amendments or

waivers of any Finance Document to which they are a party shall be made (and signed by the Global Facility Agent on behalf of such Senior Debt Holder Group or the Working Capital Bank (as the case may be) other than in the case of the Bond Documents which shall be also signed by the Bond Trustee on behalf of the Bondholders) by the Global Facility Agent acting in accordance with paragraph (c) below;

- (c) all decisions by the Global Facility Agent relating to amendments, waivers or any other decision or determination, shall, unless otherwise provided in the Common Terms Agreement, be made (and instructions given to the Security Trustees and Account Banks shall be given) in accordance with the instructions of the Relevant Instructing Parties; and
- (d) for the avoidance of doubt, the Global Facility Agent shall act in accordance with the instructions of the Relevant Instructing Parties in relation to signing (or not signing) any amendment or waiver in its capacity as the Global Facility Agent.

#### *Voting*

- (a) Each Senior Debt Holder Group Representative must vote the Senior Debt Obligations held by its respective Senior Debt Holder Group in the manner authorized or directed by the relevant Senior Debt Holders thereof *provided that*, each Senior Debt Holder Group Representative shall specify in its vote the principal amount of Senior Debt Obligations represented by such vote, *provided, further, that*, notwithstanding that a Senior Debt Instrument may provide for Senior Debt Obligations outstanding thereunder to vote or act on a class or series basis, or to provide or record a split vote, the relevant Senior Debt Holder Group Representative shall only be entitled to give notices, vote or take actions in respect of the Common Terms Agreement as if all such classes or series were one group of Senior Debt Holders, including, in any determination of Majority Senior Debt Holders, voting in one unanimous block all of the outstanding principal amount. The Global Facility Agent will record the votes of all Senior Debt Holder Group Representatives entitled to vote and tabulate (based on certifications from each Senior Debt Holder Group Representative as to the total Senior Debt Obligations under the relevant Senior Debt Instrument to be counted for the purposes of such vote) the corresponding Senior Debt Obligations and determine whether the requisite votes have been reached on the basis of all Senior Debt Obligations Held by Senior Debt Holders entitled to vote in respect of the relevant decision.
- (b) Other than in relation to any matter referred to in the provisions described in paragraph (d) of “—*Voting*”, in the event that a Term Bank does not respond to the relevant Senior Debt Holder Group Representative within the Voting Time Period (a “**Non-Responding Term Bank**”) and:
  - (i) the requisite percentage vote has not been achieved by the expiry of the Voting Time Period; and
  - (ii) Term Banks whose share in the outstanding Term Loans then aggregate 75% or more of the aggregate of all the Term Loans of all of the Term Banks at that time have responded to the relevant Senior Debt Holder Group Representative, within the Voting Time Period,

then that Non-Responding Term Bank shall be disregarded by the relevant Senior Debt Holder Group Representative in calculating the aggregate of all the Term Loans for the purpose of determining whether or not the requisite percentage vote has been achieved.

- (c) Other than in relation to any matters referred to in the provisions described in paragraph (d) of “—*Voting*”, in the event that the Senior Debt Holder Group Representative for the Bondholders does not respond to the Global Facility Agent’s request for instructions within the Voting Time Period, then the outstanding Senior Debt held by the Bondholders shall be disregarded by the Global Facility Agent in calculating the aggregate outstanding Senior Debt for the purpose of determining whether or not the requisite percentage vote has been achieved.
- (d) An amendment or (unless otherwise provided) waiver relating to any of the following matters, in each case which does not constitute a Facility/Indenture Specific Decision, requires the consent of the Relevant Instructing Parties in accordance with paragraphs (a) to (c) of that definition:
  - (i) the provisions in the Common Terms Agreement relating to the Finance Parties’ rights and obligations, “—*Changes to the Finance Parties*”, paragraphs (d) to (g) under “—*Voting*” or “—*Accounts—Offshore Deposit Account—Restricted Payments*”;
  - (ii) the provisions described in “*Intercreditor Matters*” or the definition of “Pro Rata” in the Common Terms Agreement;

- (iii) any change to the date of payment of any amount to a Senior Debt Holder under the Finance Documents;
  - (iv) (A) any increase or reduction in an Applicable Margin (as defined in the Term Facility Agreement); (B) any increase or reduction in the interest or Bond Redemption Amount payable in respect of the Bonds; or (C) a change in the amount of any payment of principal or interest, or a change in the amount of any fee payable to an existing Agent or Account Bank, or a change in any other amount payable to a Secured Finance Party under the Finance Documents;
  - (v) any change in the currency of any Senior Debt;
  - (vi) our release from any indebtedness owed by us to the Secured Finance Parties, *provided that* a Secured Finance Party may unilaterally give a valid release in respect of any indebtedness owed to it;
  - (vii) a release of any Security (other than to facilitate the disposal of any asset in a manner expressly permitted by the Finance Documents) or any amendment to the subordination arrangements;
  - (viii) provisions described in “*Cancellation and Prepayment—Common Mandatory Prepayment*”, “*—Covenants and Events of Default—Negative Covenants—Procurer Credit Support*”, paragraph (e) of “*—Covenants and Events of Default—Negative Covenants—No Waiver*” and “*—Events of Default—Procurer Credit Support*”;
  - (ix) provisions described in “*—Sharing*”;
  - (x) certain provisions related to proceeds of enforcement in the Common Terms Agreement;
  - (xi) provisions described in “*—Amendments and Waivers*”;
  - (xii) the definition of “*Relevant Instructing Parties*”;
  - (xiii) a term of a Finance Document which expressly requires the consent of each Senior Debt Holder; or
  - (xiv) the right of a Senior Debt Holder to assign or transfer its rights or obligations under the Finance Documents.
- (e) An amendment or waiver which relates to the rights or obligations of the Global Facility Agent, a Senior Debt Holder Group Representative, a Security Trustee or an Account Bank may only be made with the consent of that Agent, Senior Debt Holder Group Representative, Security Trustee, Account Bank and the Relevant Instructing Parties.
- (f) The Secured Finance Parties must not without the consent of each Senior Hedging Bank:
- (i) amend or waive any term of, or give instructions in respect of, the provisions described under “*Accounts—Offshore Deposit Account—Withdrawals from Offshore Deposit Account*” or under “*Defaults and Remedies—Application of Senior Proceeds*” if the amendment, waiver or instruction would result in a Senior Hedging Bank not being paid pro rata and *pari passu* with the corresponding amounts payable to the Senior Debt Holders; or
  - (ii) amend or waive any term of the Finance Documents that would adversely affect in a material respect the rights or increase the obligations in a material respect of the Senior Hedging Banks.
- (g) The Working Capital Bank and us will not amend or waive any term of the Working Capital Facility other than for any Facility/Indenture Specific Decision in respect of the Working Capital Facility. The Secured Finance Parties must not without the consent of the Working Capital Bank amend or waive any term of the provisions described under “*Accounts—Offshore Deposit Account—Withdrawals from Offshore Deposit Account*” if the amendment would result in the Working Capital Bank not being paid pro rata and *pari passu* with the corresponding amounts payable to the other Senior Debt Holders.

### *Ranking*

The Senior Liabilities rank in right and priority of payment *pari passu* and without any preference between themselves. The Security ranks and secures the Senior Liabilities on a *pari passu* basis and without any preference

between them.

#### *No Independent Action*

No Secured Finance Party may, except with the prior consent of the Relevant Instructing Parties:

- (a) enforce any Security created or evidenced by any Security Document or require a Security Trustee or Account Bank to enforce any such Security;
- (b) sue for, or institute any creditor's process (including a freezing order, garnishment, execution or levy, whether before or after judgment) against any Major Project Party in respect of any obligation (whether or not for the payment of money) owing to it under or in respect of any Finance Document;
- (c) take any step (including petition, application, notice of meeting or proposal to creditors) for the winding up or administration of, or any insolvency proceeding, voluntary arrangement or scheme of arrangement in relation to us; or
- (d) apply for any order for an injunction or specific performance in respect of any Major Project Party in relation to any of the Finance Documents.

#### *Finance Documents*

- (a) All rights, powers and remedies provided or available under the Bond Documents to the Bond Trustee and the Bondholders shall be subject to the terms and conditions of the Common Terms Agreement.
- (b) In the event of any conflict or inconsistency between any Facility Agreement and the Common Terms Agreement, the Common Terms Agreement shall prevail.
- (c) In the event of any conflict or inconsistency between any Bond Document and the Common Terms Agreement, the Common Terms Agreement shall prevail.
- (d) Unless expressly permitted under the terms of the Finance Documents, no Secured Finance Party may terminate any Finance Document (or any part of its obligations thereunder) unless the Relevant Instructing Parties have consented thereto.
- (e) No Secured Finance Party may take any Enforcement Action except as approved by the relevant Senior Debt Holder Groups in accordance with the provisions described under "*—Default and Remedies*".
- (f) If, at any time, the relevant Senior Debt Holder Groups direct, in accordance with the provisions described under "*—Default and Remedies*", any of the Global Facility Agent, the Security Trustees or the Account Banks to exercise or enforce any Enforcement Action, the Global Facility Agent, the Security Trustees or the Account Banks, as applicable, shall promptly exercise or enforce such Enforcement Action in the manner directed by the relevant Senior Debt Holder Groups.
- (g) Following termination (other than in accordance with its terms) of any Finance Document, the Term Facility Agent, the Bond Trustee, each Security Trustee and each Account Bank shall act in accordance with the instructions of the Global Facility Agent in connection with the exercise or enforcement of any rights under such Finance Document.

#### *Preservation of Security*

Notwithstanding any other provision in the Finance Documents, in the event that either the Global Facility Agent or a Security Trustee is of the reasonable opinion that any material part of the Security expressed to be subject to the Security Documents is in danger of being seized or sold under any form of distress, attachment, execution or other legal process or to be otherwise in jeopardy and that Enforcement Action is reasonably required to protect the same or is required to protect or preserve the Security under the Security Documents, then it may take such Enforcement Action without the consent of any other Secured Finance Party.

## ***Defaults and Remedies***

### *Notice of Defaults*

Promptly after any Senior Debt Holder Group Representative obtains written notice or actual knowledge of the occurrence of any Event of Default or Potential Event of Default, or a Facility/Indenture Event of Default which is continuing under any Finance Document to which it is party, such Senior Debt Holder Group Representative shall notify the Global Facility Agent in writing thereof with a copy to us (such notice being a “**Notice of Default**”). Each such Notice of Default shall specifically refer to the provisions in the Common Terms Agreement referred to in “—*Notice of Defaults*” and shall describe such Event of Default or Facility/Indenture Event of Default in reasonable detail (including the date of occurrence of the same). The Global Facility Agent shall promptly inform each other Senior Debt Holder Group Representative of any Notice of Default received by it.

### *Enforcement Action under the Common Terms Agreement*

- (a) On the occurrence and during the continuation of an Event of Default under “*Covenants and Events of Default—Events of Default—Non-Payment*”, the Senior Debt Holder Group in respect of whose Senior Debt the Event of Default has occurred may instruct its Senior Debt Holder Group Representative (in accordance with its Senior Debt Instrument) to declare (or following a declaration, waive) such Event of Default and accelerate all of the Senior Debt Obligations owed to that Senior Debt Holder Group. Each Senior Debt Holder Group Representative shall promptly give notice to the Global Facility Agent and the Global Facility Agent shall promptly notify each other Senior Debt Holder Group Representative of any such declaration of an Event of Default and acceleration of Senior Debt Obligations.
- (b) In the event any Senior Debt Holder Group accelerates its Senior Debt Obligations in accordance with the provisions described under “—*Enforcement Action under the Common Terms Agreement*”, all Senior Debt Obligations owed to the other Senior Debt Holder Groups shall be immediately accelerated.

### *Request for the Exercise of Remedies*

- (a) Following the occurrence and during the continuation of an Event of Default or Facility/Indenture Event of Default (the “**Relevant Event of Default**”), any Senior Debt Holder Group Representative representing a Senior Debt Holder Group holding Senior Debt with respect to which the Relevant Event of Default has occurred may, in addition to the steps set forth in “—*Enforcement Action under the Common Terms Agreement*”, request the Global Facility Agent in writing to:
  - (i) declare that an Event of Default or Facility/Indenture Event of Default in respect of which remedies under the Common Terms Agreement are to be exercised (an “**Actionable Event of Default**”) has occurred; and
  - (ii) take any requested Enforcement Action available under the Common Terms Agreement (such request, a “**Remedies Initiation Notice**”).
- (b) Each Remedies Initiation Notice shall, except as otherwise provided in the Common Terms Agreement, be effective on the later of the date set forth in such notice and the date such notice is received by the Global Facility Agent. In the event that more than one Senior Debt Holder Group Representative delivers a Remedies Initiation Notice in respect of the Relevant Event of Default, then the Remedies Initiation Notice from the Senior Debt Holder Group Representative representing the Senior Debt Holder Group holding the greater proportion of Senior Debt (or, if equal, whichever Senior Debt Holder Group Representative first delivered a Remedies Initiation Notice) shall take precedence unless the Global Facility Agent has already commenced any action requested in a prior Remedies Initiation Notice in respect of such Relevant Event of Default.
- (c) Following receipt of the first delivered Remedies Initiation Notice in respect of the Relevant Event of Default, the Global Facility Agent shall, at the expiration of a five-day waiting period, promptly notify each Senior Debt Holder Group Representative of:
  - (i) the Remedies Initiation Notices that have been received in respect of the Relevant Event of Default;
  - (ii) where more than one Remedies Initiation Notice has been received in respect of the Relevant Event of Default, the Remedies Initiation Notice which takes precedence in accordance with paragraph (b) of “—*Request for the Exercise of Remedies*” (the “**Effective Remedies Initiation Notice**”); and

(iii) the date on which the Global Facility Agent proposes to commence the Enforcement Action proposed in respect of the Relevant Event of Default in the Effective Remedies Initiation Notice (the “**Remedies Commencement Date**”),

(the date of notification of the above matters by the Global Facility Agent being the “**Remedies Initiation Notification Date**”) and, together with such notification, the Global Facility Agent shall provide each Senior Debt Holder Group Representative with a copy of each Remedies Initiation Notice received and shall request the consent of the Senior Debt Holder Groups to declare that the Relevant Event of Default is an Actionable Event of Default.

(d) If the Senior Debt Holder Group Representatives representing Senior Debt Holder Groups constituting the Initiating Percentage (as at the date of the vote to declare an Actionable Event of Default) declare that an Actionable Event of Default has occurred and thus direct the Global Facility Agent to exercise the remedies in the Effective Remedies Initiation Notice (a “**Common Remedies Instruction**”), the Global Facility Agent shall take such Enforcement Action beginning on the Remedies Commencement Date (or such other date as the Senior Debt Holder Group Representatives constituting the Initiating Percentage at such time may direct) unless the Relevant Event of Default has been cured or the Global Facility Agent, acting on the instructions of the Senior Debt Holder Group Representatives representing Senior Debt Holder Groups constituting the Relevant Instructing Parties, has waived the Relevant Event of Default, *provided that*, if the Senior Debt Holder Group Representatives representing Senior Debt Holder Groups constituting the Initiating Percentage have not declared that an Actionable Event of Default has occurred by such initial proposed Remedies Commencement Date, but thereafter Senior Debt Holder Group Representatives representing Senior Debt Holder Groups constituting the Initiating Percentage at the relevant time after the Remedies Initiation Notification Date have declared that an Actionable Event of Default has occurred, then the Global Facility Agent shall take such Enforcement Action beginning on the date of such declaration (which date shall be the revised Remedies Commencement Date) unless the Relevant Event of Default has been cured or waived by the Relevant Instructing Parties (which cure or waiver the Global Facility Agent may assume has not occurred until such time that it receives notice from a Senior Debt Holder Group Representative to the contrary).

#### *Immediate Acceleration*

Notwithstanding the provisions described under “—*Request for the Exercise of Remedies*”, upon the occurrence of an Event of Default as described under “*Covenants and Events of Default—Events of Default—Insolvency Events*” in respect of us, an Actionable Event of Default and acceleration of all Senior Debt Obligations shall occur automatically, without any Common Remedies Instruction or other declaration or notice (which declaration or notice shall, for the purposes of all the Senior Debt Instruments, be deemed to have been given) and any Senior Debt Holder Group (Senior Debt Holder Simple Majority) shall be entitled immediately, to the extent that the Global Facility Agent has not previously been so instructed or directed, to instruct or direct the Global Facility Agent to take Enforcement Action, to the extent not inconsistent with any prior Common Remedies Instruction.

#### *Cessation, Remedy or Waiver of Actionable Events of Default*

Any Senior Debt Holder Group Representative(s) that has or have instructed the Global Facility Agent to declare an Actionable Event of Default pursuant to a Common Remedies Instruction shall promptly notify the Global Facility Agent, us and each other Senior Debt Holder Group Representative upon learning of the cessation, remedy or waiver of the Event of Default to which such Common Remedies Instruction related, and the Global Facility Agent shall promptly notify us and each Senior Debt Holder Group Representative upon learning of the cessation, remedy or waiver of any Event of Default to which a Common Remedies Instruction related.

#### *Proceeds of Enforcement*

##### *Senior Proceeds*

(a) All receipts or recoveries by a Security Trustee (or by us or any other person and which shall have been paid over to a Security Trustee) pursuant to, or upon enforcement of, any of the Security and all other moneys which are recovered or received by a Secured Finance Party pursuant to the terms of any of the Finance Documents after the relevant Senior Debt Holder Groups have approved the taking of Enforcement Action (the “**Recoveries**”) shall, unless otherwise required by the Common Terms Agreement, be paid over to the Offshore Security Trustee and applied in accordance with the provisions set out under “—*Proceeds of Enforcement*” and shall, after deducting (to the extent not already deducted or retained prior to such receipt or recovery by such Security Trustee) all such sums as are mentioned as deductions in the definition of “Senior Proceeds” (all such sums hereinafter collectively referred to as “**Deductions**”), be converted (unless such sums are to be credited for

the time being to a suspense or impersonal account) by such Security Trustee from their existing currency of denomination into U.S. dollars (any such conversion from one currency to another to be made at such Security Trustee's then prevailing spot rate for the purchase of that other currency with the first mentioned currency at the office of such Security Trustee by which such conversion is made).

- (b) After deducting all commissions and expenses relating to any conversion referred to in paragraph (a) above, all Recoveries shall be applied by the relevant Security Trustee either as a whole or in such proportions as such Security Trustee shall think fit:
- (i) in payment to the credit of an account or accounts (each a “**Senior Proceeds Account**”) in its name and, if any of the sums then outstanding under any of the Finance Documents to the Secured Finance Parties are contingent or future, may be held in such account or accounts for so long as such Security Trustee shall think fit pending their further application from time to time in accordance with “—*Application of Senior Proceeds*”; or
  - (ii) payment to the credit of a suspense or impersonal account and may be held in such account for so long as such Security Trustee shall think fit pending any conversion and further application from time to time of such moneys (as such Security Trustee shall be entitled, but not obliged, to do in its discretion) in accordance with the provisions of “—*Senior Proceeds*”.

#### *Application of Senior Proceeds*

Sums standing to the credit of a Senior Proceeds Account must, to the extent permitted by applicable law, be applied in the following order of priority:

- (a) in or towards discharging *pro rata* all sums owed to the Security Trustees (in their capacities as trustee for the Secured Finance Parties) and to the Bond Trustee (in its capacity as trustee for the relevant Bondholders) under the Finance Documents;
- (b) in or towards discharging *pro rata* all assessments to tax made on the Security Trustees in respect of any of the Trust Property, in respect of anything done by either Security Trustee in its capacity as trustee for the Secured Finance Parties or otherwise by virtue of its capacity as trustee for the Secured Finance Parties;
- (c) in setting aside in such of the Senior Proceeds Accounts as the Offshore Security Trustee may think fit, by way of reserve, amounts required to meet all such sums mentioned in paragraph (a) or (b) above as the Offshore Security Trustee considers will or may become payable in connection with the Trust Property and/or the exercise of the Security and/or the performance of any of its or the Onshore Security Trustee's obligations under the Finance Documents or otherwise by virtue of its capacity as trustee for the Secured Finance Parties and all such Deductions as the Offshore Security Trustee considers will or may become payable and which it considers will or may not be discharged out of future receipts or recoveries from enforcement of any of the Security;
- (d) in payment to the Global Facility Agent, on behalf of the Secured Finance Parties, for application *pro rata* in or towards the discharge of all Senior Financing Costs due and payable by us;
- (e) in payment to the Global Facility Agent, on behalf of the Secured Finance Parties, for application *pro rata* in or towards discharge of all amounts of principal outstanding under the Facility Agreements and the Bond Documents and all Hedging Termination Payments in relation to Senior Permitted Hedging Agreements which are due and payable by us;
- (f) in payment to the Global Facility Agent, on behalf of the Secured Finance Parties, for application *pro rata* in or towards discharge of all other sums due and payable by us to the Secured Finance Parties under the Finance Documents;
- (g) if the Senior Termination Date has occurred, in payment to any person to whom such Security Trustee is obliged to pay in priority to us to the extent it is so obliged; and
- (h) if the Senior Termination Date has occurred, thereafter, in payment to us or any other person entitled thereto.

No such proceeds shall be applied in payment of any amounts specified in any of the paragraphs in “—*Application of Senior Proceeds*” unless and until amounts specified in any earlier paragraph(s) have been paid in full.

### *Further Application of Senior Proceeds*

The fact that a Security Trustee may make a payment under “—*Application of Senior Proceeds*” or may determine that the Senior Termination Date has occurred will not thereafter prevent such Security Trustee from applying any further Senior Proceeds, or any credit balance on any Senior Proceeds Account, in the order set out in “—*Application of Senior Proceeds*”.

## **Hedging Matters**

### *Changes to Senior Permitted Hedging Agreements*

We shall, and shall procure that each Senior Hedging Bank shall, undertake that, except as the Global Facility Agent has previously consented in writing, we, or each Senior Hedging Bank, shall not amend, vary, supplement or allow to be superseded any provision of any Senior Permitted Hedging Agreement or any Hedging Transaction to which we are, or it is, a party (or give any waiver, release or consent having the same commercial effect) to the extent that would result in any provision in the Senior Permitted Hedging Agreement or Hedging Transaction being amended, varied, supplemented or superseded in any material respect, including:

- (a) any provision in the Senior Permitted Hedging Agreement being amended or varied unless the Senior Hedging Bank concerned acting reasonably and in good faith certifies to the Global Facility Agent that it considers such amendment does not impose restrictions or obligations or conditions on us which are more onerous than those originally provided for in the Senior Permitted Hedging Agreement;
- (b) the Senior Permitted Hedging Agreement ceasing to comply with the requirements of the relevant provisions of the Term Facility Agreement;
- (c) any payment under the Senior Permitted Hedging Agreement being required to be made by us earlier than the date originally provided for in the Senior Permitted Hedging Agreement, save as results from procedural or administrative changes arising in the ordinary course of the administration of the Senior Permitted Hedging Agreement which do not materially alter the due date, subject to the carve-outs set out in the Common Terms Agreement; or
- (d) us becoming liable to make an additional payment (or increase an existing payment) under any Senior Permitted Hedging Agreement which liability does not arise from the original provisions of the Senior Permitted Hedging Agreement, save as results from procedural or administrative changes arising in the ordinary course of the administration of the relevant Senior Permitted Hedging Agreement which are not material, subject to the carve-outs set out in the Common Terms Agreement.

### *Termination by Senior Hedging Bank*

Subject to limited exceptions set out in the Common Terms Agreement, each Senior Hedging Bank undertakes and agrees with each other Term Finance Party that it will not prior to the Senior Termination Date exercise any right to terminate or close out (in whole or in part) any Hedging Transaction under a Senior Permitted Hedging Agreement prior to its stated maturity.

### *Compulsory Termination*

Each Senior Hedging Bank undertakes and agrees with the other Secured Finance Parties that at any time after a Senior Debt Holder Group has commenced Enforcement Action, in the case of Senior Permitted Hedging Agreements or Hedging Transactions under Senior Permitted Hedging Agreements, we shall advise the Global Facility Agent who shall by written notice to that Senior Hedging Bank and us require that Senior Hedging Bank to terminate any Senior Permitted Hedging Agreement (or, in each case, any Hedging Transaction under any such Senior Permitted Hedging Agreement) and the Senior Hedging Bank shall comply with any such notice as soon as reasonably practicable following receipt thereof.

## **Assignments and Transfers**

### *Benefit of Common Terms Agreement*

The Common Terms Agreement shall be binding upon and inure to the benefit of each party thereto and its or any subsequent respective successors, Transferees and permitted assignees.

## ***Changes to the Finance Parties***

### ***Assignments and Transfers by Us***

We shall not be entitled to assign or transfer all or any of our rights, benefits or obligations under the Common Terms Agreement, or under any Transaction Document, except pursuant to the Security Documents.

### ***Assignments and Transfers by Term Banks***

A Term Bank may, subject to the terms of the Term Facility Agreement, transfer any Term Loan to another bank or financial institution. Such transfer will only be effective if the replacement Term Bank has delivered to the Global Facility Agent an Accession Certificate confirming that it is bound by the terms of the Common Terms Agreement as a Term Bank, upon which point the existing Term Bank will be released from its obligations under the Common Terms Agreement.

### ***Assignments and Transfers by Working Capital Bank***

The Working Capital Bank may, subject to our consent and the consent of the Global Facility Agent (in each case not to be unreasonably withheld or delayed) transfer all (but not part only) of the Working Capital Commitment and Working Capital Loan (together) to another bank or financial institution. Simultaneously with any such transfer, the Working Capital Bank shall, if it is the Onshore Account Bank, resign from such role in compliance with the provisions of the Common Terms Agreement such that the new Working Capital Bank also becomes the Onshore Account Bank. Such transfer will only be effective if the replacement Working Capital Bank has delivered to the Global Facility Agent an Accession Certificate confirming that it is bound by the terms of the Common Terms Agreement as the Working Capital Bank, upon which point the existing Working Capital Bank will be released from its obligations under the Common Terms Agreement.

### ***Assignments and Transfers by Senior Hedging Banks***

A Senior Hedging Bank may transfer its rights and obligations under the Common Terms Agreement and a Senior Permitted Hedging Agreement to another bank or financial institution. Such transfer will only be effective if the replacement bank or financial institution is an Acceptable Hedging Bank and has delivered to the Global Facility Agent an Accession Certificate confirming that it is bound by the terms of the Common Terms Agreement as a new Senior Hedging Bank upon which the existing Acceptable Hedging Bank will be released from its obligations under the Common Terms Agreement to the extent they are transferred in full to the new Senior Hedging Bank. A Term Bank shall only become a Senior Hedging Bank if that Term Bank has delivered to the Global Facility Agent an Accession Certificate confirming that it is bound by the terms of the Common Terms Agreement as a Senior Hedging Bank.

### ***Bond Trustee Not Fiduciary for Other Senior Debt Holders***

The Bond Trustee shall not be deemed to owe any fiduciary duty to any of the Senior Debt Holders (other than the relevant Bondholders in accordance with the relevant Bond Documents), and shall not be liable to any Senior Debt Holders (other than the relevant Bondholders in accordance with the relevant Bond Documents) if the Bond Trustee shall in good faith mistakenly pay over or distribute to the relevant Bondholders or to any other person cash, property or securities to which any Senior Debt Holders (other than the relevant Bondholders) shall be entitled by virtue of the Common Terms Agreement or otherwise. With respect to Senior Debt Holders (other than the relevant Bondholders in accordance with the Bond Documents), the Bond Trustee undertakes to perform or to observe only such of its covenants or obligations as are specifically set forth in the relevant Bond Documents and the Common Terms Agreement and no implied covenants or obligations with respect to Senior Debt Holders (other than the relevant Bondholders in accordance with the relevant Bond Documents) shall be read into the Common Terms Agreement against the Bond Trustee.

### ***Bond Trustee***

Notwithstanding anything else in the Common Terms Agreement, in acting under and in accordance with the Common Terms Agreement, the Bond Trustee shall act in accordance with the relevant Bond Documents and shall seek any necessary instruction from the relevant Bondholders to the extent provided for, and in accordance with, the relevant Bond Documents, and where it so acts on the instructions of the relevant Bondholders, the Bond Trustee shall not incur any liability to any person for so acting other than in accordance with the relevant Bond Documents. Furthermore, prior to taking any action under the Common Terms Agreement, the Bond Trustee may reasonably request and rely upon an opinion of counsel or opinion of another qualified expert at our expense, *provided that*, if no Default has occurred and is continuing, such expense is reasonably incurred.

### *Successor Bond Trustee*

The Bond Trustee shall provide the Global Facility Agent with:

- (a) in the case of its resignation, 60 calendar days' written notice of its resignation; and
- (b) in the case of its removal by Bondholders, written notice of its removal within five business days of the date on which the Bond Trustee receives notice of its removal under the Indenture.

Any resignation or removal of the Bond Trustee shall, for the purposes of the Common Terms Agreement, become effective only upon acceptance of appointment by any successor Bond Trustee pursuant to the Indenture and the accession of the successor Bond Trustee to the Common Terms Agreement by the execution and delivery of a duly completed Accession Certificate to the Global Facility Agent.

Upon the effectiveness of the resignation or removal of the Bond Trustee in accordance with the provisions described under “—*Successor Bond Trustee*”, the resigning Bond Trustee shall be discharged from any further obligation under the Common Terms Agreement and the successor Bond Trustee and each of the other parties thereto shall have the same rights and obligations amongst themselves as they would have had if such successor Bond Trustee had been a party thereto as the Bond Trustee.

### **Amendments and Waivers**

#### *Remedies and Waivers*

No failure to exercise, nor any delay in exercising, on the part of the Finance Parties or any of them, any right or remedy under the Finance Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies provided in the Finance Documents are cumulative and not exclusive of any rights or remedies provided by law.

#### *Amendments and Waivers*

No provision of any Finance Document may be amended, varied, supplemented or waived other than in accordance with the provisions described under “*Intercreditor Matters*”.

### **Governing Law, Jurisdiction and Arbitration**

The Common Terms Agreement shall be governed by, and shall be construed in accordance with, English law.

We irrevocably agree for the benefit of each of the Secured Finance Parties that any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Common Terms Agreement, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration. The arbitral law applicable to the arbitration proceedings shall be English law.

### **Global Amendment and Restatement Agreement**

On or about the Effective Date, we will have entered into the Global Amendment and Restatement Agreement between, *inter alios*, us, each Shareholder, the Term Banks, the Working Capital Bank and the Senior Hedging Banks, which amends and restates the Term Facility Agreement, the Shareholders' Direct Agreement and the Working Capital Facility Agreement, and amends certain Senior Permitted Hedging Agreements (the “**Relevant Finance Documents**”). Pursuant to the Global Amendment and Restatement Agreement, the amendments to the Relevant Finance Documents come into effect on the Effective Date, which is the date on which the conditions precedent set out in the Global Amendment and Restatement Agreement are satisfied or waived and a SWIFT confirmation is received evidencing the transfer to the Term Facility Agent of the net proceeds of the sale of the Bonds (after deduction of certain fees and commissions, the “**Net Bond Amount**”).

Pursuant to the Global Amendment and Restatement Agreement we make representations regarding the following: status; powers and authorization; execution and delivery; legal validity and admissibility; binding obligations; valid security; compliance with laws; no winding up; no default; consents; litigation; taxes; financial statements; no other business, title to property and assets; accuracy of representations; insurances; assets and agreements; intellectual

property; immunity and governing law; ownership; private and commercial acts; no illegal commissions; no subsidiaries and full disclosure.

The Global Amendment and Restatement Agreement includes certain waivers granted by the parties upon the occurrence of the Effective Date in relation to: the notice period provided to the Term Banks for the prepayments being less than 30 days; the prepayment of the Term Banks in an amount which is not an integral multiple of US\$1,000,000; the termination of certain Senior Permitted Hedging Agreements on a non-pro rata basis; the assignment of the Contractual Services Agreement (see “*Summary of Principal Project Documents—Contractual Services Agreement*”); and the amendment of the CSA Parent Company Guarantee.

In addition, the Global Amendment and Restatement Agreement also sets out certain payments to be made by us on the Effective Date on receipt of the Net Bond Amount, including payments to the Term Banks, the Senior Hedging Banks, to fund the Debt Service Reserve Account, and other payments (such as payment of post-close amended financing expenses and payments to the Shareholders) as more particularly set out below.

#### ***Prepayment of Term Banks***

We instruct the Term Facility Agent on receipt of the Net Bond Amount to make prepayments to the Term Banks to reflect both the prepayment of an amount of the Term Banks’ participation.

Following payment of the amounts described above, the Term Facility Agent will deposit the remaining balance of the Net Bond Amount into in an account held with the Offshore Account Bank in our name (the “**Bond Proceeds Account**”) for application by the Offshore Account Bank (on our instructions) in the manner described below.

#### ***Reduction in Hedging***

Subject to the completion of the steps described in the paragraph above, we then instruct the Offshore Account Bank to (and the Offshore Account Bank shall) apply the remaining balance of the Net Bond Amount to pay the settlement payment to the relevant Senior Hedging Bank(s) under the Senior Permitted Hedging Agreements entered into in 2009 which are being terminated in full on the Effective Date.

#### ***Funding of Debt Service Reserve Account***

Subject to the completion of the steps described in the paragraph above, we then instruct the Offshore Account Bank to (and the Offshore Account Bank shall) apply the remaining balance of the Net Bond Amount to ensure that cash standing to the credit of the Debt Service Reserve Account is equal to the Required DSRA Balance (as calculated immediately after the Effective Date).

#### ***Funding of Refinancing Expenses***

Subject to the completion of the steps described in the paragraph above, we then instruct the Offshore Account Bank to (and the Offshore Account Bank shall) apply the remaining balance of the Net Bond Amount to pay certain of our amended financing expenses.

#### ***Other Repayments and Payments***

Subject to the completion of the steps described in the paragraph above, we then instruct the Offshore Account Bank to (and the Offshore Account Bank shall) apply the remaining balance of the Net Bond Amount to partially prepay amounts outstanding to the Shareholders under the Subordinated Loan Agreements entered into in respect of the New RO Project and to reimburse the Shareholders for any expenses incurred on our behalf.

#### ***Reimbursement of TFA Available Amount***

Subject to the completion of the steps described in the paragraphs above, we then instruct the Offshore Account Bank to (and the Offshore Account Bank shall) apply the remaining balance of the Net Bond Amount to (i) reimburse the Term Facility Agent or the Offshore Account Bank (as applicable) for all payments made by the Term Facility Agent or the Offshore Account Bank (as applicable) in accordance with the paragraphs above from the funds of the Term Facility Agent which, by internal arrangement, are available to the Term Facility Agent to fund the payments set out above in the event the Net Bond Amount is not received by the Term Facility Agent by 3:00 p.m. (London Time) on the Effective Date; and (ii) pay the Term Facility Agent or the Offshore Account Bank (as applicable) all indemnity amounts, if any, payable to the Term Facility Agent or the Offshore Account Bank (as applicable).

### ***Credit of Balance of Net Bond Amount***

Subject to the completion of the steps described in the paragraph above, the Offshore Account Bank will be instructed by us to (and the Offshore Account Bank shall) credit the balance of the Net Bond Amount into an account held with the Offshore Account Bank in our name (the “**GARA Account**”).

### ***Payment to Shareholders***

Subject to the completion of the steps described in the paragraph above, the satisfaction of the conditions subsequent (see “—*Conditions Subsequent*”) to the Effective Date and there being no Default continuing or occurring as a result of the transfer in accordance with this step, following confirmation from the Global Facility Agent of satisfaction of the matters contemplated in this paragraph, the Offshore Account Bank will be instructed by us to (and the Offshore Account Bank shall) transfer all amounts standing to the credit of the GARA Account to any account nominated by each Shareholder for receipt of such funds.

### ***Payment of Post-Close Amended Financing Expenses***

Subject to the completion of the steps described in the paragraph above, the Offshore Account Bank shall (upon our instructions) apply any amounts standing to the credit of the GARA Account which have been held back to pay certain other amended financing expenses.

### ***Conditions Subsequent***

We will be required to have satisfied certain conditions subsequent within applicable deadlines following the Effective Date. By no later than 5:00 p.m. (New York time) on the Effective Date, the Global Facility Agent must have received certified copies of the authenticated Regulation S Bond and Rule 144A Bond representing the issuance of the Bonds. By no later than 90 days after the Effective Date, we must have provided evidence that all actions required to perfect the relevant Security Documents have been taken, all notices and acknowledgments required to be given thereunder have been given and all required notarizations, stamping, filings and registrations (as applicable) have been made (including the registration of the Company Share Pledge Agreements, the Commercial Mortgage and Onshore Security Agreement and the Lease Mortgage). See “*Risk Factors—Risks Relating to the Bonds—There are limitations on the creation, perfection and enforcement of security interests that could affect the Bondholders’ rights*”.

### ***Governing Law***

The Global Amendment and Restatement Agreement and all non-contractual obligations arising from or connected with it will be governed by, and will be construed in accordance with, English law.

### **Amended and Restated Working Capital Facility Agreement**

On September 26, 2006, we entered into a Working Capital Overdraft and/or Revolving Facility Agreement (the “**Working Capital Facility Agreement**”) with First Abu Dhabi Bank PJSC (formerly National Bank of Abu Dhabi P.J.S.C.) (the “**Working Capital Bank**”) and Barclays Bank PLC as the then facility agent. The Working Capital Facility Agreement will be amended and restated on the Effective Date.

### **The Working Capital Facilities**

#### ***The Overdraft Facility***

On any business day during the Availability Period, the Working Capital Bank will make available to us (in dirhams) by way of Withdrawals an aggregate amount up to an amount equal to the Available Commitment.

#### ***The Revolving Facility***

On any business day during the Availability Period, the Working Capital Bank will make available to us (in dirhams and/or U.S. dollars) by way of Revolving Advances an aggregate amount up to an amount equal to the Available Commitment.

### ***Purpose***

The purpose of the Working Capital Facilities is to finance our general working capital requirements. The Working Capital Bank is not bound to monitor or verify the application of any amount borrowed pursuant to the Working

Capital Facility Agreement.

### **Security**

All present and future amounts owing by us pursuant to the Working Capital Facility Agreement will be secured by the Security Documents during the Availability Period.

### **Withdrawal from Overdraft Account**

During the Availability Period, the Working Capital Bank will permit multiple Withdrawals.

### **Drawdown of Revolving Advances**

To draw a Revolving Advance, we must deliver, within the applicable timeframe specified in the Working Capital Facility Agreement, a Drawdown Notice to the Working Capital Bank during the Availability Period for the Revolving Facility specifying whether the Revolving Advance is to be made in dirhams or U.S. dollars. Once given, we cannot revoke a Drawdown Notice.

The Working Capital Bank will pay each Revolving Advance to the Onshore Deposit Account (if the currency selected is dirhams) or the Revolving Dollar Account (if the currency selected is U.S. dollars) on the relevant Drawdown Date in accordance with the instructions contained in the Drawdown Notice.

### **Conditions Precedent to all Withdrawals and Revolving Advances**

The obligation of the Working Capital Bank to make any Revolving Advance or to allow a Withdrawal pursuant to the Working Capital Facility Agreement is subject to the conditions that:

- (a) the Global Facility Agent has not made the declaration as described in “—*Events of Default*”;
- (b) the Drawdown Date is a business day within the Availability Period; and
- (c) such Withdrawal and/or Revolving Advance will not result in the Overall Loan exceeding the Overall Limit.

### **Overall Limit**

We shall ensure that on each Calculation Date the Overall Loan does not exceed the Overall Limit. U.S. dollar amounts shall be used for the purposes of this calculation, with any Loans denominated in dirhams being the U.S. dollar equivalent.

### **Repayment**

#### ***Repayment of Overdraft Loan***

During the Availability Period, we will:

- (a) repay the Overdraft Loan in full at least once every calendar year and following any such repayment of the Overdraft Loan in full, no Withdrawal shall be permitted until at least one business day after the date of such repayment; and
- (b) repay the Overdraft Loan in full on the next business day after the end of the Availability Period in respect of the Overdraft Facility,

in each case in accordance with the requirements of the Common Terms Agreement.

#### ***Repayment of Revolving Advances***

##### ***Repayment on Maturity Date***

We will repay each Revolving Advance on its Maturity Date.

##### ***Rollover of Revolving Advances***

If a Revolving Advance is to be drawn on a day (the “**New Revolving Advance**”) when another Revolving

Advance is due to be repaid (the “**Maturing Revolving Advance**”), the Maturing Revolving Advance will be deemed to be repaid on its Maturity Date either in whole (if the New Revolving Advance is equal to or greater than the Maturing Revolving Advance) or in part (if the New Revolving Advance is less than the Maturing Revolving Advance) and following such deemed repayment, the principal amount of the New Revolving Advance will be deemed to be credited to the Onshore Deposit Account (if in dirhams) or the Revolving Dollar Account (if in U.S. dollars) by the Working Capital Bank.

If the New Revolving Advance is less than the Maturing Revolving Advance, we will repay the difference and if the New Revolving Advance is greater than the Maturing Revolving Advance, the Working Capital Bank will make the difference available to us.

#### *Repayment on the Revolving Termination Date*

We will repay all outstanding Revolving Advances and other amounts then owing under the Working Capital Facility Agreement in respect of the Revolving Facility on the Revolving Termination Date.

#### **Cancellation by Us**

During the Availability Period we may cancel all or part of the Commitment by giving at least two business days’ notice to the Working Capital Bank and, on receipt of such notice, which shall be irrevocable, the Commitment will be reduced accordingly. No amount of the Commitment cancelled under the Working Capital Facility Agreement may be subsequently reinstated.

#### **Interest**

##### *Interest on Revolving Facility*

We will pay to the Working Capital Bank interest on each Revolving Advance for each Interest Period on the Interest Payment Date for such Revolving Advance.

We must select a Term for each Revolving Advance in the relevant Drawdown Notice of one, two, three or six months from the Drawdown Date (or such other period as may be agreed between us and the Working Capital Bank). No Term will extend beyond the Revolving Termination Date.

##### *Interest on Overdraft Facility*

Interest in respect of the Overdraft Facility shall be calculated on a daily basis on the debit balances on the Overdraft Account and will be payable in arrears and debited on its Interest Payment Date by way of a Withdrawal from the Overdraft Account.

##### *Rates of Interest*

The rate of interest applicable to any debit balances on the Overdraft Account or Revolving Advances is the aggregate of:

- (a) the Margin; and
- (b) EBOR (in relation to the debit balance on the Overdraft Account and Revolving Advances denominated in dirhams) or LIBOR (in relation to Revolving Advances denominated in U.S. dollars).

#### **Interest for Late Payment**

##### *General*

If we fail to pay an amount payable in connection with the Working Capital Facility Agreement on the due date for payment, we will pay interest on that amount from the due date until the date of payment (whether before or after judgment).

##### *Default Rate*

The Working Capital Bank will divide the period beginning on the due date and ending on the date of payment into successive periods of such length as it will decide in its discretion. The rate of interest applicable to each period will be the aggregate of:

- (a) 1% per annum;
- (b) the Margin; and

- (c) EBOR (in relation to any debit balance on the Overdraft Account and any Revolving Advance denominated in dirhams) or LIBOR (in relation to any Revolving Advance denominated in U.S. dollars).

### ***Interest Rate on Acceleration of the Loans***

If the unpaid amount is an amount of principal which is repayable before its next Interest Payment Date, the period to be selected by the Working Capital Bank will end on that Interest Payment Date and the rate of interest applicable to that period will be 1% per annum above the rate previously applicable to that amount.

### **Commitment Commission**

We will pay commitment commission to the Working Capital Bank on the amount of the Available Commitment from time to time. The commission will accrue on a daily basis at the rate of 0.10% per annum in respect of the period from the date of the Working Capital Facility Agreement until the last day of the Availability Period. It will be paid quarterly in arrears, starting on the date of the Working Capital Facility Agreement, and ending on the last day of the Availability Period, and if cancelled in full, on the cancelled amount of the Commitment at the time the cancellation is effective.

### **Events of Default**

If an Event Default is continuing and the Global Facility Agent has made a declaration pursuant to the applicable provisions of the Common Terms Agreement to the effect that amounts outstanding under the Working Capital Facilities are immediately due and payable, then the Working Capital Facilities shall be immediately cancelled and any amounts outstanding thereunder shall be payable by us to the Working Capital Bank together with accrued interest thereon and any other sums then owed by us to the Working Capital Bank pursuant to the Working Capital Facility Agreement.

### **Transfer**

- (a) We shall not transfer (either by assignment or by novation) any of our rights or duties under the Working Capital Facility Agreement.
- (b) The Working Capital Bank may transfer any of its rights or duties under the Working Capital Facility Agreement to another bank or financial institution only in accordance with the terms of the Common Terms Agreement.

### **Illegality**

If it becomes contrary to an applicable law for the Working Capital Bank to perform any of its duties under the Working Capital Facility Agreement, then:

- (a) the Working Capital Bank shall promptly give us a written notice of cancellation upon becoming aware of that event;
- (b) upon the Working Capital Bank giving such notice, the Commitment will immediately be reduced to zero; and
- (c) we will repay the Loans, together with all other amounts owing to the Working Capital Bank under the Working Capital Facility Agreement.

### **Review and Cancellation**

- (a) The Working Capital Bank shall be entitled to carry out an annual review of the Working Capital Facility during the Availability Period, *provided that*, the Working Capital Bank shall not be permitted to cancel the Working Capital Facility pursuant to such review before the Termination Date.
- (b) If the Availability Period is extended beyond the Termination Date, the Working Capital Bank may, pursuant to the review carried out under paragraph (a), cancel the Working Capital Facility *provided, however, that*, the Working Capital Bank shall give us a minimum of one month's written notice of the cancellation of the Working Capital Facility pursuant to such review.

### **Restrictions on Cancellation**

Any notice of cancellation given by the Working Capital Bank as described in "*—Illegality*" and "*—Review and Cancellation*" shall be irrevocable and shall specify the date upon which the relevant cancellation is to be effective and the amount of the cancellation.

No amount of the Commitment cancelled under the Working Capital Facility Agreement may be subsequently reinstated.

### **Governing Law and Dispute Resolution**

The Working Capital Facility Agreement is governed by English law.

The arbitration provisions as set out in the Common Terms Agreement are (and are deemed to be) incorporated in the Working Capital Facility Agreement as if they were set out in full therein, *mutatis mutandis*.

### **Amended and Restated Term Facility Agreement**

On October 27, 2006, we entered into a Facility Agreement (the “**Term Facility Agreement**”) with certain financial institutions and Barclays Bank PLC as the then facility agent. The Term Facility Agreement was amended and restated on January 16, 2013 to implement the New RO Project. The Term Facility Agreement will be further amended and restated on the Effective Date to implement, among other things, the issue of the Bonds and the consolidation of the New RO Project with our project.

### **The Term Facility**

We will partially prepay the Term Loan on the Effective Date and the principal amount outstanding will be reduced. See “*Use of Proceeds*” and “*Capitalization*”.

### **Repayments**

We must repay on each Repayment Date an amount (a “**Term Facility Repayment Instalment**”) equal to the relevant percentage of the outstanding amount of the Term Loan as at the Effective Date as specified in the Term Facility Agreement (as reduced from time to time by any prepayment). The remaining amount of the Term Loan and all other amounts outstanding shall be repaid in full on the Term Final Maturity Date.

### **Prepayments**

#### ***Illegality***

If it becomes unlawful in any jurisdiction for a Term Bank to perform any of its obligations as contemplated by the Term Facility Agreement, to fund or maintain its participation in or to allow to remain outstanding all or any part of any Term Advance:

- (a) such Term Bank shall promptly notify the Term Facility Agent upon becoming aware of that event; and
- (b) we shall repay such Term Bank’s participation in each Term Advance on the last day of the Interest Period for such Term Advance occurring after the Term Facility Agent has notified us or, if earlier, the date specified by the Term Bank in the notice delivered to the Term Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

#### ***Voluntary Prepayment of Loans***

We may, by giving the Term Facility Agent not less than 30 days’ (or such shorter period as the Majority Term Banks may agree) prior notice, prepay the whole or any part of the Term Loan, *provided that*, any prepayment in part of the Term Loan must be in a minimum amount of US\$5,000,000 and an integral multiple of US\$1,000,000.

#### ***Mandatory Prepayment from Capital Compensation Proceeds***

The use of Capital Compensation Proceeds to prepay the Term Loan shall be governed by the provisions set out under “*Common Terms Agreement—Cancellation and Prepayment—Mandatory Prepayment from Capital Compensation Proceeds*”.

#### ***Bond Voluntary Redemption and Purchase Offers***

If we exercise our right to:

- (a) redeem all (but not part only) of the Bonds in accordance with Section 3.2(a) (*Tax Redemption*) of the Indenture;

- (b) redeem part or all of the Bonds in accordance with Section 3.2(b) (*Optional Redemption*) of the Indenture; or
- (c) purchase part or all of the Bonds in accordance with Section 2.10(c) (*Cancellation; Purchase by the Issuer*) of the Indenture,

we must, simultaneously with such redemption or purchase, prepay the Advances outstanding under the Term Facility.

We shall not redeem or purchase any Bonds in accordance with paragraphs (a) to (c) or notify the Bond Trustee in accordance with Section 3.3 (*Delivery of Notices, Certificates and Opinions*) of the Indenture of any redemption or purchase contemplated in paragraphs (a) to (c) unless we have given the Term Facility Agent not less than 30 days' prior written notice of such prepayment under "*Bond Voluntary Redemption and Purchase Offers*".

#### ***Application of Prepayments***

The prepayments made under "*Voluntary Prepayment of Loans*" and "*Mandatory Prepayment from Capital Compensation Proceeds*" shall be applied *pro rata* between the remaining Term Facility Repayment Instalments. The amount to be applied in prepayment under "*Mandatory Prepayment from Capital Compensation Proceeds*" shall be reduced to the extent necessary to ensure that sufficient amounts are available to be applied, on the date of prepayment, in meeting our obligations (if any) under "*Hedging Arrangements—Partial Early Termination*" in respect of the amount actually to be prepaid.

#### ***Right of Repayment in Relation to a Single Term Bank***

If:

- (a) we are obliged to pay any additional amount to or for the account of any Term Bank in accordance with the gross-up and tax indemnity provisions of the Term Facility Agreement;
- (b) any Term Bank claims indemnification from us in accordance with the gross-up and tax indemnity or increased costs provisions of the Term Facility Agreement; or
- (c) a Term Bank notifies the Term Facility Agent of its additional cost rate (calculated by the Term Facility Agent in accordance with the mechanisms set forth in the Term Facility Agreement), as per the provisions of the Term Facility Agreement,

we may, whilst (in the case of paragraphs (a) and (b)) the circumstance giving rise to the requirement or indemnification or FATCA Deduction continues:

- (i) give the Term Facility Agent notice of our intention to procure the repayment of that Term Bank's participations in the Term Loans; or
- (ii) with the consent of the Term Facility Agent (not to be unreasonably withheld or delayed) procure the replacement of that Term Bank with a substitute Term Bank.

On the last day of each Interest Period which ends after we have given notice under paragraph (i) (or, if earlier, the date specified by us in that notice), we shall repay that Term Bank's participations in the Term Loans.

We shall only be permitted to prepay a Term Bank's participations in the Term Loans if the prepayment is made in accordance with the Common Terms Agreement or out of funds standing to the credit of the Distribution Accounts or Additional Shareholder Funds or funds from other sources which are non-recourse to us or our project.

#### ***General***

- (a) Any notice of voluntary prepayment given by us under "*Prepayments*" shall be irrevocable and shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment and, in the case of prepayment, oblige us to prepay.
- (b) Any prepayment of the Term Facilities under the Term Facility Agreement and the other relevant Finance Documents shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

- (c) We may not reborrow any part of the Term Facility that is repaid or prepaid.
- (d) We shall not repay or prepay all or any part of the Term Loans except at the times and in the manner expressly provided for in the Term Facility Agreement and the Common Terms Agreement.

### **Interest**

The rate of interest on each Term Advance for each Interest Period is the percentage rate per annum which is the aggregate of:

- (a) the Applicable Margin;
- (b) LIBOR; and
- (c) Mandatory Costs, if any.

Default interest shall accrue on any Unpaid Sum from the due date up to the date of actual payment (both before and after judgment) at a rate of 1.00% per annum higher than the rate which would have been payable if the Unpaid Sum had, during the period of non-payment, constituted a Term Advance for successive Interest Periods, each of a duration selected by the Term Facility Agent. Any such interest accruing shall be immediately payable by us on demand by the Term Facility Agent.

### **Market Disruption Event**

If a Market Disruption Event occurs in relation to a Term Advance for any Interest Period, then the rate of interest on each Term Bank's share of that Term Advance for that relevant Interest Period will be the rate per annum which is the sum of:

- (a) the Applicable Margin;
- (b) the rate notified to the Term Facility Agent by that Term Bank as soon as practicable, and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Term Bank of funding its participation in that Term Advance from whatever source it may reasonably select; and
- (c) the Mandatory Cost, if any, applicable to that Term Bank's participation in the Term Advance.

### **Taxes**

#### ***Payments to be Free and Clear***

All sums payable by us to any Term Finance Party or any other person on its behalf under any Finance Document shall be paid free and clear of and (except to the extent required by law) without any Tax Deduction.

#### ***Gross-Up of Payments/Tax Indemnity***

If we are required by law to make a Tax Deduction in respect of any sum payable by us to any Term Finance Party or any other person on its behalf under any Finance Document, the amount of the payment due from us shall be increased to the extent necessary to ensure that such Term Finance Party receives on the due date for payment thereof and retains a sum which (after making the Tax Deduction) is equal to the sum it would have received if no Tax Deduction had been required or made.

If any Term Finance Party is required to make any payment of or on account of any Tax or otherwise on or in relation to any sum received or receivable under any Finance Document or if any liability in respect of any such sum is asserted, imposed, levied or assessed against any such person (except in each instance for a payment by any such recipient of Excluded Tax), we shall upon demand of the Term Facility Agent promptly indemnify such person against such payment or liability together with any interest, penalties and expenses payable or incurred in connection therewith except where such payment relates to a FATCA Deduction required to be made by a Term Finance Party.

#### ***FATCA Deduction***

Each party may make any FATCA Deduction it is required by FATCA to make, and any payment required in

connection with that FATCA Deduction, and no party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

Each party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the party to whom it is making the payment and, in addition, shall notify us and the Term Facility Agent and the Term Facility Agent shall notify the other Term Finance Parties.

### **Increased Costs**

Within five business days of a demand by the Term Facility Agent, we must pay for the account of a Term Finance Party or any of its Affiliates the amount of any Increased Costs incurred by that Term Finance Party as a result of the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or compliance with any law or regulation made after the date of the Term Facility Agreement. This obligation does not apply to any Increased Costs:

- (a) attributable to a Tax Deduction required by law to be made by us;
- (b) compensated for under “*Taxes—Gross-Up of Payments/Tax Indemnity*” or a payment in respect of Excluded Tax;
- (c) attributable to a FATCA Deduction required to be made by a party; or
- (d) attributable to the willful breach by the relevant Term Finance Party or its Affiliates of any law or regulation.

### **Working Capital Facility**

We have entered into and must maintain in full force and effect the Working Capital Facility Agreement pursuant to which we were granted the Working Capital Facility in an aggregate amount of not more than US\$20,000,000 (or equivalent in dirhams) or such other amount as may be agreed between the Global Facility Agent (acting on the instructions of the Majority Term Banks), us and the Working Capital Bank (each acting reasonably) which satisfies the following conditions:

- (a) Advances may only be made under the Working Capital Facility in dollars or dirhams;
- (b) the interest rate applicable to outstanding Advances under the Working Capital Facility shall not exceed a rate equal to:
  - (i) in the case of an Advance denominated in U.S. dollars, the sum of 0.4% per annum and LIBOR;
  - (ii) in the case of an Advance denominated in dirhams, 0.4% per annum and EBOR (as defined in the Working Capital Facility Agreement); or
  - (iii) in each case, such other interest rate as may be agreed between the Global Facility Agent (acting on the instructions of the Majority Term Banks), the Working Capital Bank and us (each acting reasonably and taking into account prevailing market rates).
- (c) the rate at which any commitment fees accrue on the undrawn amount of the Working Capital Facility shall not exceed 0.375% per annum (or such other interest rate as may be agreed between the Global Facility Agent (acting on the instructions of the Majority Term Banks), the Working Capital Bank and us (each acting reasonably and taking into account prevailing market rates));
- (d) any other fees or remuneration payable by us in respect of the Working Capital Facility shall be based upon normal market rates and returns; and
- (e) all outstanding advances under, and all other amounts payable by us in relation to, the Working Capital Facility shall be scheduled to be fully paid or repaid by no later than the date agreed between the Global Facility Agent and us, each acting reasonably taking into account prevailing market conditions.

We must ensure that the Working Capital Facility Agreement is renewed from time to time on the terms set out above unless otherwise agreed by the Global Facility Agent (acting reasonably).

We shall procure that on the date on which any working capital facility agreement is executed after the Effective Date pursuant to the Term Facility Agreement each party thereto (other than us) becomes a party to the Common Terms Agreement as a Working Capital Bank by executing and delivering to the Global Facility Agent a duly completed Term Accession Certificate. We shall, not less than fifteen business days prior to entering into a working capital facility agreement, notify the Global Facility Agent in writing of our intention to do so together with details of each of the other parties thereto and such other information as the Global Facility Agent may reasonably require. Notwithstanding any other provision of the Finance Documents, no Term Bank shall be obliged to enter a Working Capital Facility Agreement or otherwise provide a Working Capital Facility to us.

We shall not cancel (whether voluntarily or otherwise) all or part of a Working Capital Facility other than in accordance with the provisions of “—*Working Capital Facility*”.

## **Hedging Arrangements**

### ***Hedging Policy***

Our policy for hedging interest rate exposure in relation to our obligations under the Finance Documents in respect of Senior Liabilities and Project Documents (the “**Hedging Policy**”) is as set forth below.

At all times, from the expiry of the Hedge Grace Period until the Term Final Maturity Date, we shall be a party to one or more US\$ LIBOR/fixed rate interest rate swaps for an amount not less than the Required Hedged Amount.

If any Senior Permitted Hedging Agreement is terminated or closed out (in whole or in part), other than in accordance with the provisions set out under “—*Partial Early Termination*” such that at any time we are not in full compliance with the requirements set out in the paragraph above, we shall enter into further Senior Permitted Hedging Agreements so that we are at all times in full compliance with those requirements

We shall not without the prior written consent of the Majority Term Banks:

- (a) enter into any Senior Permitted Hedging Agreement pursuant to which amounts payable by us in respect of interest on the Term Facility are calculated by reference to a fixed interest rate greater than 7% per annum; or
- (b) enter into any Senior Permitted Hedging Agreement pursuant to which the gross amounts payable by us in respect of interest on the Term Facility are calculated by reference to a variable interest rate.

We may enter into foreign exchange contracts in respect of our exchange rate exposure under any contractual services agreement entered into by us from time to time.

Each Senior Permitted Hedging Agreement required to be entered into by us in accordance with the Hedging Policy shall be entered into by us with either:

- (a) a Term Bank which has the Required Credit Rating; or
- (b) a Term Bank which has a Credit Support Provider (as defined in the relevant Senior Permitted Hedging Agreements) with the Required Credit Rating.

### ***Hedging Policy Requirements***

- (a) We shall:
  - (i) at all times comply with the Hedging Policy, not enter into any Hedging Agreement or any Hedging Transaction which does not fully comply with the Hedging Policy and not enter into any Hedging Agreement with any person other than in the case of a Hedging Agreement entered into in accordance with the Hedging Policy, a Term Bank which has the Required Credit Rating or as otherwise permitted pursuant to the Hedging Policy;
  - (ii) promptly notify the Term Facility Agent of our entry into any Senior Permitted Hedging Agreement or Hedging Transaction and provide the Term Facility Agent with a copy of any such Hedging Agreement or Hedging Transaction;
  - (iii) on the date on which we enter into any Senior Permitted Hedging Agreement, execute and deliver to the Offshore Security Trustee an assignment pursuant to which we assign absolutely with full title guarantee to the Offshore Security Trustee all our right, title and interest, present or future, in, to, under and in respect of, and the right to enforce, that Senior Permitted Hedging Agreement; and

- (iv) promptly notify the Term Facility Agent of the closing out or termination (in whole or in part) of any Hedging Agreement or Hedging Transaction to which we are a party.
- (b) We shall not enter into any Hedging Agreements that would or may give rise to any obligation for us to make any Hedging Termination Payment or any equivalent payment for any reason (other than those Hedging Agreements contemplated under paragraph (a)) without the prior written consent of the Term Facility Agent.

### ***Form of Senior Permitted Hedging Agreements***

Each Senior Permitted Hedging Agreement entered into by us shall be on the terms of the ISDA Agreement as modified by the provisions of the Term Facility Agreement.

### ***Partial Early Termination***

- (a) If at any time:
  - (i) the whole or any part of the Term Loan is repaid or prepaid as described in “—*Prepayments—Voluntary Prepayment of Loans*” or “—*Prepayments—Mandatory Prepayment from Capital Compensation Proceeds*”; and
  - (ii) as a result thereof at any time the Notional Amounts (as defined in the ISDA Definitions) for Hedging Transactions under the Senior Permitted Hedging Agreements (in each case, the “Relevant Notional Amount”) for any period exceeds the Applicable Maximum Debt during that period,

then, we shall advise the Term Facility Agent who shall by written notice to us and the Senior Hedging Banks require us and the Senior Hedging Banks require us and the Senior Hedging Banks as soon as reasonably practicable (but in any event not later than 30 days thereafter) to terminate (in whole or in part) one or more Hedging Transactions under Senior Permitted Hedging Agreements such that the Relevant Notional Amount for Hedging Transactions under Senior Permitted Hedging Agreements for any period will not exceed the Applicable Maximum Debt for any period.

- (b) If at any time:
  - (i) the whole or any part of the Term Loan is repaid or prepaid as described in “—*Prepayments—Voluntary Prepayment of Loans*” or “—*Prepayments—Mandatory Prepayment from Capital Compensation Proceeds*”; and
  - (ii) as a result thereof at any time the Relevant Notional Amount for Hedging Transactions under Senior Permitted Hedging Agreements for any period exceeds the Required Hedged Amount (but does not exceed the Applicable Maximum Debt) during that period,

then, we shall be entitled to terminate (in whole or in part) one or more Hedging Transactions under Senior Permitted Hedging Agreements as we may reasonably decide *provided that*, the Relevant Notional Amount for Hedging Transactions under Senior Permitted Hedging Agreements for any period will not be less than the Required Hedged Amount and shall not exceed the Applicable Maximum Debt for any period (and *provided further that*, we shall not be entitled to terminate any such Hedging Transactions if such termination would result in any net payment payable by us to the Senior Hedging Banks).

- (c) We shall ensure that any reduction in the Relevant Notional Amount for Hedging Transactions under Senior Permitted Hedging Agreements as described in “—*Partial Early Termination*” is effected by the *pro rata* termination of each Hedging Transaction under Senior Permitted Hedging Agreements.

### **Representations and Warranties**

Under the Term Facility Agreement, we represent and warrant to the Term Finance Parties that as at the Effective Date and on each Repayment Date and each other date on which interest is due under the Term Facility Agreement the representations and warranties contained therein are true and accurate by reference to the facts and circumstances then existing.

Under the Term Facility Agreement, such representations and warranties relate to, *inter alia*, status, powers and authorizations, legal validity, admissibility, validity of security, compliance with laws, absence of litigation, taxes, financial statements, insurances, ownership and sanctions.

## **Financial Information**

### ***Shareholder and SCU Annual Statements***

We shall deliver to the Term Facility Agent, in sufficient copies for the Term Banks, the audited annual Financial Statements of each of our Shareholders, SCU and ADWEA within:

- (a) in the case of our Shareholders and ADWEA (to the extent that such audited annual Financial Statements are made available by ADWEA or, if not, such other annual report issued by ADWEA whether audited or not), promptly after the same become available; and
- (b) in the case of SCU, within 180 days following the end of each of its fiscal years.

### ***Compliance Certificate***

We shall deliver to the Global Facility Agent within 30 days of the end of each of our fiscal half years, a compliance certificate (substantially in the form attached to the Term Facility Agreement) setting out any Event of Default that arose during such period and which is continuing.

## **Covenants**

### ***Positive Covenants***

#### ***Environmental Issues***

We shall forthwith upon:

- (a) the receipt of any notice alleging that we are not in compliance with any Environmental Law;
- (b) becoming aware that there exists any Environmental Claim current, pending or threatened against us;
- (c) becoming aware of any (or any threatened) release, emission, discharge or disposal of any Environmental Contaminant; or
- (d) any suspension, revocation, modification of any Environmental Consent, which might reasonably form the basis of any Environmental Claim against us or result in any Term Finance Party incurring any liability in its capacity as such:
  - (i) provide to the Term Facility Agent details of the nature of such event and the action which we intend to take in response thereto together with an estimate of the cost of such action; and
  - (ii) upon the written request of the Term Facility Agent, submit to the Term Facility Agent at reasonable intervals a report providing an update of the situation resulting from such event.

#### ***Reserved Discretions***

When exercising our rights or complying with our obligations under any of the Project Documents, we shall comply with the reserved discretions (as set out in the Term Facility Agreement, these are categories of decisions and/or notifications to be made under certain of the Project Documents).

#### ***Insurances***

We shall:

- (a) comply at all times with the insurance provisions set out in the Term Facility Agreement;
- (b) make full and complete disclosure to the Insurance Broker of all material facts and events relating to our project and us;
- (c) take all actions and exercise and enforce all of our rights under the relevant Project Documents in order to procure that the Operator, the DBO Contractor and all other contractors engaged in our project take out adequate insurance in accordance with the requirements of the O&M Agreement, the DBO Agreement and other relevant

Project Documents, respectively.

### *Intellectual Property*

We shall obtain and maintain all intellectual property necessary for our project, including in relation to all patents, trademarks, service marks, designs, utility models, copyrights, design rights, licenses, inventions, confidential information, know-how and rights of like nature.

### *Defend Actions*

We shall defend any material action, claim or other proceeding commenced or levied against us or any of our assets or revenues and shall not settle any such claim, action or proceeding on any terms which could reasonably be expected to have, or result in, a Material Adverse Effect without the prior written consent of the Majority Term Banks (such consent not to be unreasonably withheld or delayed).

### *Anti-Money Laundering*

We shall promptly provide, at the request of any Term Finance Party (and its transfers or assigns), any information reasonably requested by such Term Finance Party pursuant to any anti-money laundering legislation, regulation, procedures or other requirements of any Competent Authority applicable to it from time to time so as to ensure compliance by such Term Finance Party (and its transfers or assigns), its employees, officers and directors with any such anti-money laundering legislation, regulation, procedures or other requirements.

### *Statutory Reserve Balance*

We shall comply with all legal requirements concerning the Statutory Reserve Balance.

### *Environmental Management Plan*

We:

- (a) shall comply in all material respects with the EMP and the EIA (including all recommendations and mitigation measures set out in those documents);
- (b) may only amend or procure amendment of the EMP in accordance with the agreement of the Term Facility Agent (acting in consultation with the Technical Adviser and us);
- (c) must amend or procure amendment of the EMP in accordance with the instructions of the Term Facility Agent (acting in consultation with the Technical Adviser and us) *provided that*, such instructions of the Term Facility Agent may only be given to ensure the compliance with the relevant IFC safeguard policies, World Bank Environmental Standards and IFC Pollution, Prevention and Abatement Guidelines; and
- (d) shall provide the Term Facility Agent with:
  - (i) an annual report confirming our compliance with the EMP or the steps being taken to remedy any non-compliance;
  - (ii) details of any non-compliance with the EMP and the EIA and proposed remedial action promptly after becoming aware of such non-compliance; and
  - (iii) any other information in relation to the EMP that the Technical Adviser may reasonably request.

### *Access*

We shall:

- (a) procure that representatives of the Term Facility Agent, the Technical Adviser and/or the Insurance Adviser be allowed access at any time after the occurrence and during the continuance of a Term Event of Default, and otherwise at reasonable times and on reasonable prior notice, to inspect:
  - (i) the technical and operating data, detailed designs, accounting books, records and other data in our possession or control with respect to our project and to take copies of any of them; and

- (ii) the Site, our plant and the Project Assets and, subject to the provisions of the relevant Project Document at the date thereof, all other facilities to which we have a right of access under the terms of any Project Document and, where the Technical Adviser reasonably believes it to be necessary, to require demonstrations of or the testing of plant and equipment and to require testing or the taking of samples to verify compliance with Environmental Law or the EMP;
- (b) without in any way limiting paragraph (a), procure that the Term Facility Agent is allowed access during normal business hours to our plant and the Project Assets, up to twice a year, in each case upon the giving of at least one week's prior notice by the Term Facility Agent;
- (c) use all reasonable efforts to procure for the Term Facility Agent, the Technical Adviser and/or the Insurance Adviser and any of their authorized representatives access to any other location where any Project Asset is being manufactured, assembled, stored, erected, repaired, refurbished or overhauled;
- (d) at the reasonable request of the Term Facility Agent, from time to time meet or attend conference or video calls (through our senior representatives) with the Term Facility Agent, the Technical Adviser and/or the Insurance Adviser, *provided that*, the number of such meetings in person shall not exceed two in any period of twelve months (except in the case of meetings requested after the occurrence and during the continuance of any Term Event of Default); and
- (e) upon receipt of a written request from the Term Facility Agent, send to the Term Facility Agent and/or the Technical Adviser such copies of the technical and operating data, detailed designs, accounting books, records and other data in our possession or control with respect to our project as the Term Facility Agent may reasonably request.

### ***Negative Covenants***

#### *Operator and DBO Contractor*

We shall not agree to or permit any assignment, novation or transfer of any of the rights and/or obligations of the Operator or the DBO Contractor under the O&M Agreement and the DBO Agreement respectively, except as expressly permitted under the terms of the Term Facility Agreement.

#### *Insurance*

We shall not take or agree to take any action or omit to do, or (so far as we are reasonably able) permit to be done or not done, anything which may prejudice in whole or in part our or any of the Term Finance Parties' rights in any Insurances or Reinsurances which would entitle any insurer or reinsurer to reduce its liability thereunder or agree to, settle or compromise any claim under any of the Insurances where the difference between the amount claimed by us and the amount proposed to be paid out by the insurers in relation to such claim (after deducting relevant deductibles) exceeds or could reasonably be expected to exceed US\$3,000,000 (or its equivalent) without the prior written consent of the Majority Term Banks (such consent not to be unreasonably withheld or delayed).

#### *Compromise, Adjustment or Settlement*

We shall not waive, settle or compromise any action, claim or proceeding against any other person or agree the amount of any compensation payable to us by a Competent Authority where the amount thereof (or, in the case of insurance proceeds, the difference between the amount claimed by us and the amount proposed to be paid out by the insurers in relation to such claim (after taking into account relevant deductibles)) exceeds or could reasonably be expected to exceed US\$3,000,000 (or its equivalent)) without the prior written consent of the Majority Term Banks (such consent not to be unreasonably withheld or delayed).

#### *Repair of the Fujairah 1 IWPP Plant*

We shall not make any election not to repair, rebuild and/or restore the Fujairah 1 IWPP Plant pursuant to the Land Lease without the prior written consent of the Majority Term Banks (subject to "*Common Terms Agreement—Accounts—Insurance and Compensation Account*").

#### *Illegal Commissions*

We shall not and shall procure that none of our directors, officers, employees or agents shall, directly or indirectly in connection with our project, pay or receive (or enter into any agreement where under the same may or will at

any time thereafter be paid or received) any unlawful commission, bribe, pay-off or kickback.

#### *Working Capital Facility*

We will ensure that amounts outstanding under the Working Capital Facility from time to time do not exceed our working capital requirements at that time and we shall not cancel the Working Capital Facility (in whole or part) at any time without the prior written consent of the Majority Term Banks (such consent not to be unreasonably withheld or delayed).

#### *Senior Permitted Hedging Agreements and Treasure Transaction*

We shall not enter into any Hedging Agreements, other than Senior Permitted Hedging Agreements entered into or maintained in accordance with the Hedging Policy, as amended from time to time in accordance with the Term Facility Agreement and the Treasure Transactions.

#### *Sanctions*

We shall not, directly or indirectly:

- (a) use the proceeds of any Advance, or lend, contribute or otherwise make available such proceeds to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding, is, a Restricted Party;
- (b) engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or breaches or attempts to breach, directly or indirectly, any Sanctions applicable to us; or
- (c) fund all or part of any payment made under or in connection with any Finance Document out of proceeds derived from business or transactions with a Restricted Party or from any action which is in breach of Sanctions.

#### *FATCA*

We shall not become a U.S. Tax Obligor.

### **Term Events of Default**

#### *Breach of Obligations*

- (a) We fail to comply with any obligations under “—*Covenants—Positive Covenants—Insurances*” or “—*Covenants—Negative Covenants*” and, if such failure is, in the reasonable opinion of the Majority Term Banks, capable of remedy, such failure is not remedied within fifteen days of such failure.
- (b) We fail to comply with any obligations under “—*Financial Information*” or any obligations under “—*Covenants—Positive Covenants*” not referred to in paragraph (a) and, if such failure is, in the reasonable opinion of the Majority Term Banks, capable of remedy, such failure is not remedied within 30 days of such failure.
- (c) We fail to comply with any other obligations under the Term Facility Agreement (other than any obligation expressly dealt with in paragraphs (a) and (b)) and, if such failure is, in the reasonable opinion of the Majority Term Banks, capable of remedy, such breach is not remedied within 30 days of such failure or within such longer period not exceeding 60 days from the date of such failure, *provided that*:
  - (i) we are proceeding with diligence and good faith to remedy such failure during such period; and
  - (ii) the Term Facility Agent determines prior to the expiry of the initial 30 day remedy period (if any) that such longer period would not adversely affect the interests of the Term Finance Parties under the Finance Documents.

#### *Misrepresentation*

- (a) Any representation or warranty made or deemed to be repeated by us, our Shareholders, our Sponsors or the Operator (if the Operator is an Affiliate of SCU) in any Finance Document or any notice or other document, certificate or statement delivered pursuant thereto by or on behalf of that party is incorrect or misleading in any material respect when made or deemed repeated and if the circumstances giving rise to it being incorrect or

misleading are, in the reasonable opinion of the Term Facility Agent, capable of being altered such that it is not incorrect or misleading within 30 days, those circumstances are not so altered to the satisfaction of the Majority Term Banks within 30 days of notice from the Term Facility Agent to us requiring such alteration or, if earlier, us becoming aware of the error.

(b) Any representation or warranty made by:

- (i) any Major Project Party (other than a provider of a Reserve Letter of Credit) in any Major Project Document or any notice or other document, certificate or statement delivered pursuant thereto by or on behalf of that party; or
- (ii) any person (other than a Term Finance Party, us, our Shareholders, our Sponsors or the Operator) in any Finance Document or any documents or certificates issued pursuant thereto by or on behalf of that party,

is incorrect in any material respect when made and, in the reasonable opinion of the Majority Term Banks, will have or could reasonably be expected to have a Material Adverse Effect and if the circumstances giving rise to it being incorrect or misleading are, in the reasonable opinion of the Term Facility Agent, capable of being altered such that it is not incorrect or misleading within 30 days, those circumstances are not so altered to the satisfaction of the Majority Term Banks within 30 days of notice from the Term Facility Agent to us requiring such alteration or, if earlier, us becoming aware of the error, *provided that*, there shall not be a Term Event of Default under “—*Misrepresentation*” arising from any event or circumstance if that event or circumstance: (A) has resulted in a Term Event of Default under another paragraph set out under “—*Term Events of Default*” (in which case the provisions of such other paragraph shall apply); or (B) would have resulted in a Term Event of Default under another paragraph set out under “—*Term Events of Default*” but for any proviso, materiality test, service of notice or non-expiry of any grace period set out in that paragraph.

#### *English Law*

At any time in relation to:

- (a) any of the Finance Documents or Major Project Documents expressed to be governed by English law, the choice of English law is not recognized or would not be enforced in the United Arab Emirates, the Emirate of Abu Dhabi or the Emirate of Fujairah, subject to any Legal Reservations; and
- (b) any Project Document (other than any Major Project Document referred to in paragraph (a)) expressed to be governed by English law, the choice of English law is not recognized or would not be enforced in the United Arab Emirates, the Emirate of Abu Dhabi or the Emirate of Fujairah, subject to any Legal Reservations, and in the reasonable opinion of the Majority Term Banks this will have or could reasonably be expected to have a Material Adverse Effect.

#### *Revocation of Consents*

- (a) The Water Desalination and Delivery Licence is materially modified or is suspended, cancelled, revoked, forfeited, surrendered, terminated or not renewed (whether in whole or part) or otherwise ceases to be in full force and effect.
- (b) Any other Consent or Environmental Consent is materially modified or is suspended, cancelled, revoked, forfeited, surrendered, terminated or not renewed (whether in whole or part) or otherwise ceases to be in full force and effect in a manner which in the reasonable opinion of the Majority Term Banks has, will have or could reasonably be expected to have, a Material Adverse Effect.
- (c) The introduction of any requirement to have a Consent or an Environmental Consent which, in the reasonable opinion of the Majority Term Banks has, will have or could reasonably be expected to have, a Material Adverse Effect.

#### *Ownership*

At any time:

- (a) SGHoldCo is not the legal and beneficial owner of 40% of the Shares; or

- (b) SCU sells or transfers any of its shares in SGHoldCo otherwise than in accordance with the applicable provisions of the Shareholders' Direct Agreement.

#### *Debt Service Coverage Ratio*

The Debt Service Coverage Ratio in relation to any Repayment Date is less than 1.05:1.

#### *Material Adverse Effect*

Any event or circumstance occurs which (individually or when taken into consideration with any other facts or circumstances then in existence), in the reasonable opinion of the Majority Term Banks has, will have or could reasonably be expected to have, a Material Adverse Effect *provided that*, there shall not be a Term Event of Default under “—*Material Adverse Effect*” arising from any event or circumstance, if that event or circumstance:

- (a) has resulted in a Term Event of Default under another paragraph(s) of the provisions described under “—*Term Events of Default*” (in which case the provisions of such other paragraph(s) will apply); or
- (b) would have resulted in a Term Event of Default under another paragraph(s) of the provisions described under “—*Term Events of Default*” but for any proviso, materiality test, service of notice or non-expiry of any grace period set out in such other paragraph(s).

#### *Equator Principles Trigger Events*

At any time an Equator Principles Trigger Event has occurred, and if such breach is capable of remedy within 30 days, such breach is not remedied to the reasonable satisfaction of the Term Facility Agent within 30 days of such breach.

#### *Illegality*

At any time:

- (a) any of the Finance Documents or the Major Project Documents, or any of their material provisions becomes invalid, illegal or unenforceable, is suspended, cancelled, revoked, forfeited, surrendered or terminated or otherwise is not, or ceases to be, in full force and effect (except in the case of termination of a Senior Permitted Hedging Agreement in accordance with “—*Hedging Matters—Partial Early Termination*”);
- (b) any Project Document (other than any Major Project Document referred to in paragraph (a)), or any of its material provisions, becomes invalid, illegal or unenforceable, is suspended, cancelled, revoked, forfeited, surrendered or terminated or otherwise is not, or ceases to be, in full force and effect, and in the reasonable opinion of the Majority Term Banks this will have or could reasonably be expected to have a Material Adverse Effect (ignoring the effect of such default on the ability of such party to perform and comply with the relevant obligations under the relevant Project Documents in paragraph (d) of the definition of Material Adverse Effect);
- (c) it becomes unlawful for any Major Project Party to perform any material obligation under any Finance Document or Major Project Document;
- (d) it becomes unlawful for any party to perform any obligation under any Project Document (other than any Major Project Document referred to in paragraph (c)), and in the reasonable opinion of the Majority Term Banks this will have or could reasonably be expected to have a Material Adverse Effect (ignoring the effect of such default on the ability of such party to perform and comply with the relevant obligations under the relevant Project Documents in paragraph (d) of the definition of Material Adverse Effect);
- (e) any Major Project Party becomes entitled to repudiate, revoke, cancel, terminate, suspend or surrender any Finance Document or Major Project Document or any provision thereof;
- (f) a party to a Direct Agreement issues a termination notice in respect of the relevant Project Document;
- (g) any party becomes entitled to repudiate, revoke, cancel, terminate, suspend or surrender any Project Document (other than any Major Project Document referred to in paragraph (e)) or any provision thereof and in the reasonable opinion of the Majority Term Banks this will have or could reasonably be expected to have a Material Adverse Effect,

*provided that*, there will not be a Term Event of Default under “—*Illegality*” if:

- (i) in respect of any affected Major Project Party (other than us, the Procurer, ADWEA or the Government of the Emirate of Abu Dhabi) we can demonstrate within 60 days of notice from the Term Facility Agent to the reasonable satisfaction of the Majority Term Banks that we can procure an acceptable substitute Major Project Party or other counterparty within 60 days; and
- (ii) we enter into a replacement agreement within 30 days, in form and substance, and with a counterparty satisfactory to the Majority Term Banks (acting reasonably).

### **Enforcement Action**

- (a) The Term Banks may, subject to the Intercreditor Provisions, exercise (and may instruct the Term Facility Agent or the Global Facility Agent to exercise) the rights and remedies set out under “*Common Terms Agreement—Remedies following Default*” and the Intercreditor Provisions.
- (b) The Term Facility Agent shall act in accordance with the instructions of the Global Facility Agent acting in accordance with the provisions under “*Common Terms Agreement—Remedies following Default*” and the Intercreditor Provisions.

### **Changes to the Term Banks**

#### ***Assignments or Transfers by the Term Banks***

Each Term Bank (a “**Transferring Term Bank**”) shall have the right to assign, novate, transfer, securitize, and/or sell participations in, any Term Facility and all or part of its rights and obligations under the Finance Documents to any person (a “**New Bank**”) *provided that*:

- (a) any such partial assignment, novation or transfer being in a minimum amount of US\$10,000,000 and integral multiples of US\$1,000,000 thereafter;
- (b) prior to such assignment, novation or transfer, written notice is provided to us and we have consented in writing to such assignment, novation or transfer (which consent shall not be unreasonably withheld or delayed and shall, in any event, be given or withheld within five days of such notice and deemed given if not withheld within that period), *provided further that* our consent shall not be required if:
  - (i) a Term Event of Default has occurred and is continuing; or
  - (ii) such assignment, novation or transfer is to an existing Term Bank or its Affiliates;
- (c) for an assignment to be effective, the Term Facility Agent must have received written confirmation from the New Bank that the New Bank will assume the same obligations to the other Term Finance Parties as it would have been under if it were a Term Bank;
- (d) if a Transferring Term Bank proposes an assignment, novation or transfer of any of its rights or obligations under the Finance Documents or changes its Facility Office and, as a result of circumstances existing at the date the assignment, novation, transfer or change occurs, we would be obligated to make a tax gross up, indemnity or increased costs payment to the New Bank or Transferring Term Bank acting through its new Facility Office under then the New Bank or Term Bank acting through its new Facility Office is only entitled to receive payment under the provisions of the Term Facility Agreement dealing with tax gross-up, indemnity and increased costs to the same extent as the Transferring Term Bank or Term Bank acting through its previous Facility Office would have been if the assignment, novation, transfer or change had not occurred; and
- (e) any financial institution acting as Term Facility Agent, or an affiliate of that financial institution, shall maintain a participation in the Term Facilities while it acts as Term Facility Agent under the Term Facility Agreement. We may unless a Default has occurred and is continuing require the Term Banks to replace the Term Facility Agent in accordance with the provisions of the Term Facility Agreement if such participation drops below US\$20,000,000.

#### ***Assignments and Transfers by Us***

We shall not be entitled to assign or transfer all or any of our rights, benefits or obligations under the Term

Facility Agreement, or under any Transaction Document, except pursuant to the Security Documents.

## **Decision Making**

### ***Amendments and Waivers***

Save as otherwise provided in the Term Facility Agreement and subject to the Intercreditor Provisions, any provision of the Term Facility Agreement may be amended, varied, supplemented or waived if we and the Majority Term Banks so agree in writing but not otherwise and any Term Event of Default, Potential Term Event of Default, provision or breach of any provision of the Term Facility Agreement may be waived by the Majority Term Banks prospectively or retrospectively subject to the requirements set forth in the Term Facility Agreement.

### ***Non-Responding Banks***

In calculating the aggregate of the relevant Term Loans for the purpose of determining whether or not the requisite percentage vote has been achieved in respect of a decision of the Majority Term Banks if a Term Bank does not respond to the Term Facility Agent within the Voting Time Period (a “**Non-Responding Bank**”), then the relevant Term Loans of that Non-Responding Bank shall be disregarded by the Term Facility Agent in calculating the aggregate of all the relevant Term Loans for the purpose of determining whether or not the requisite percentage vote has been achieved.

## **Acceleration and Enforcement**

Any Enforcement Action shall be taken at and in accordance with the instructions of the Relevant Term Bank Group and subject at all times to the Intercreditor Provisions.

## **Proceeds of Enforcement**

All receipts or recoveries by a Security Trustee, whether directly or indirectly, pursuant to, or upon enforcement of, any of the Security shall be applied in accordance with the provisions of “*Intercreditor Matters—Proceeds of Enforcement*” of the Common Terms Agreement together with all other moneys which are by the terms of any of the Finance Documents to be applied in accordance with such provisions.

## **Governing Law, Jurisdiction and Arbitration**

The Term Facility Agreement is governed by, and shall be construed in accordance with, English law.

We irrevocably agree for the benefit of each of the Secured Finance Parties that any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Term Facility Agreement, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration. The arbitral law applicable to the arbitration proceedings shall be English law.

## **Amended and Restated Shareholders’ Direct Agreement**

On November 22, 2006, we entered into a shareholders’ direct agreement (the “**SDA**”) with, among others, the Local Shareholder and the International Shareholder (the “**Shareholders**”), ADWEA and SCU (together, the “**Parent Guarantors**”), the Senior Hedging Banks, Barclays Bank PLC as the then facility agent and offshore security trustee, the Onshore Security Trustee, the Offshore Account Bank and the Onshore Account Bank.

The SDA was entered into in connection with the Shareholders’ Agreement. The SDA will be amended and restated on the Effective Date.

## **DSRA and MRA Credit Support**

Each Shareholder will have the option to procure (at its own cost) the issuance of:

- (a) the DSRA Credit Support in an amount equal to its Equity Percentage of the DSRA Required Balance; and/or
- (b) the MRA Credit Support in an amount equal to its Equity Percentage of the MRA Required Balance.

## **Company Undertakings**

We shall not, prior to the Senior Termination Date, unless the Global Facility Agent (acting on the instructions of the Senior Debt Holder Group Representatives representing the Majority Senior Facility Banks) otherwise consents in writing:

- (a) pay, prepay, redeem, make any distribution in cash or in kind in respect of (or on account of), purchase or otherwise acquire or discharge by set-off or any right of combination of accounts or otherwise any Share or any of the Subordinated Liabilities except as permitted by the SDA;
- (b) create or permit to subsist any encumbrance over any of our assets securing all or any part of the Subordinated Liabilities (other than a Permitted Security Interest);
- (c) create or permit to subsist any guarantee, indemnity or other assurance against financial loss for, or in relation to, any of the Subordinated Liabilities (other than pursuant to a Finance Document);
- (d) amend, supplement, novate or release any term of any Subordinated Loan Agreement; or
- (e) take or omit to take any action whereby the subordination contemplated by the SDA may be impaired.

We shall also, promptly following its execution, procure that any Subordinated Loan Agreement is registered in our company register.

## **Subordinated Creditors Undertakings**

### ***Negative Pledge***

No Subordinated Creditor shall, prior to the Senior Termination Date, create, grant, extend or permit to subsist any encumbrance over any of its Shares or its SGHoldCo Shares (as applicable) or any Subordinated Advances made by it (other than any encumbrance created pursuant to the Security Documents or arising by operation of law).

### ***No Disposal***

No Subordinated Creditor shall, prior to the Senior Termination Date, sell, transfer, assign or otherwise dispose of, or grant an option or any pre-emption or like right over, any of its rights, title, benefit or interest in or to any Share, any Subordinated Loan or any other Equity Liability, nor exercise any right it may have to require the other Shareholder to do so, other than pursuant to the Security Documents or as expressly permitted under the Finance Documents.

### ***Subordinated Creditor Subordination Undertakings***

No Subordinated Creditor shall, prior to the Senior Termination Date, unless, if prior to the Senior Termination Date, the Global Facility Agent (acting on the instructions of the Senior Debt Holder Group Representatives representing the Majority Senior Facility Banks) otherwise consents in writing:

- (a) require, permit or receive any payment, prepayment, repayment, redemption, purchase or other acquisition of, or any distribution in respect of (or on account of) any of the Shares or any of the Equity Liabilities in cash or in kind or apply any assets in discharge of the Equity Liabilities except as permitted by the SDA;
- (b) take, accept or receive the benefit of or permit to exist any encumbrance securing, or any guarantee, indemnity or other assurance against financial loss for, or in respect of, all or any of the Equity Liabilities;
- (c) exercise any right of set-off or any right of combination of accounts in respect of the Equity Liabilities;
- (d) take or omit to take any action whereby the subordination contemplated by the SDA may be impaired;
- (e) accelerate any of the Equity Liabilities or otherwise declare any Equity Liabilities prematurely due or payable;
- (f) subordinate any of the Equity Liabilities or any proceeds to any person other than the Finance Parties;
- (g) sue for, or institute any creditor's process (including an injunction, garnishment, execution or levy whether before or after judgment) against us or a Shareholder in respect of, any obligation (whether or not for the payment of money) owing to it;
- (h) petition or apply for (or vote in favour of any resolution for) or initiate or support or take any steps with a view

to any insolvency, liquidation, reorganisation, administration or dissolution proceeding or any voluntary arrangement or assignment for the benefit of creditors or similar proceedings involving us or a Shareholder, whether by petition, convening a meeting, voting for a resolution or otherwise; or

- (i) apply for any order for an injunction or specific performance in relation to any Equity Liability.

### ***Amendments***

No Shareholder shall prior to the Senior Termination Date, agree to or permit, any amendment or modification to, or variation, revocation or novation of:

- (a) certain provisions of the Shareholders' Agreement;
- (b) any of the terms or provisions of any Subordinated Loan Agreement or any of the rights attaching to any of the Shares;
- (c) any of the terms or conditions of our memorandum and articles of association or any term or provision of the Shareholders' Agreement (subject to certain exceptions) in any case in a manner or to an extent that could reasonably be expected to have, or result in, a Material Adverse Effect; or
- (d) the authority or any of the powers, duties and responsibilities of our executive managing director (or other chief executive officer of ours) nominated by SGHoldCo and appointed in accordance with the Shareholders' Agreement and the resolutions referred to in the applicable provisions thereof in a manner or to an extent which materially reduces, restricts, impairs, prejudices or otherwise adversely affects that person's control over our day to day management,

in any case without the prior written consent, if prior to the Senior Termination Date, of the Global Facility Agent (acting on the instructions of the Senior Debt Holder Group Representatives representing the Majority Senior Facility Banks).

No Parent Guarantor shall, prior to the Senior Termination Date, agree to any amendment or modification to, or variation, revocation or novation of any of the terms or provisions of any Subordinated Loan Agreement to which it is a party without the prior written consent of the Global Facility Agent.

Until the Senior Termination Date, neither we nor the Shareholders shall enforce or seek to rely on and we and the Shareholders, each expressly waive all and any of the rights conferred or purported to be conferred on us, or them, as applicable, by or in connection with the transfer restriction provisions of the Shareholders' Agreement which would otherwise restrict the enforcement of the Security or the security created or purported to be created under the Company Share Pledge Agreements or the SGHoldCo Share Mortgage Agreement.

We and the Shareholders acknowledge that neither the Company Share Pledge Agreements nor the SGHoldCo Share Mortgage Agreement nor the exercise of any rights thereunder is a breach of the transfer restriction provisions under the Shareholders' Agreement.

### ***Verification of Shareholdings***

Promptly following a request from the Global Facility Agent, each Shareholder must deliver a certificate to the Global Facility Agent setting out details of the Shares then owned (directly or indirectly) by it and each Shareholder and Parent Guarantor must, following a request from the Global Facility Agent, deliver a certificate to the Global Facility Agent setting out the details of the Subordinated Advances made by that Shareholder or Parent Guarantor. The Global Facility Agent may not request a Shareholder to provide more than one such certificate in any six-month period.

### ***Consents***

Each Subordinated Creditor will promptly:

- (a) obtain, maintain and comply with the terms of; and
- (b) supply certified copies to the Global Facility Agent of,

any consent or authorization required to enable it to perform, or required in connection with the performance of, its obligations under, or for the validity or enforceability of, the SDA or any Subordinated Loan Agreement so far as the same relate to that Subordinated Creditor.

### ***Notification of Default***

Each Subordinated Creditor will notify the Global Facility Agent of any default by it in the performance of its obligations under the SDA (and the steps, if any, being taken to remedy it) promptly upon becoming aware of the same.

### **Share Transfer Restrictions**

#### ***International Shareholder Holdings***

The International Shareholder shall at all times hold 40% of the Shares.

#### ***SCU Holdings***

SCU may transfer its SGHoldCo Shares to other persons (the “**Foreign Transferees**”) subject to:

- (a) each Foreign Transferee:
  - (i) having a rating for its long-term, unsecured and unsubordinated debt obligations of BBB or higher from S&P; and
  - (ii) unless SCU or its Affiliate remains as contracted operator of the Plant, owning and operating gas-fired power stations with a combined capacity of at least 3,500 MW; and
- (b) the Global Facility Agent being satisfied that:
  - (i) the transferee has executed a deed of accession and has assumed the relevant proportion of the transferor’s obligations under the Finance Documents;
  - (ii) before and after such transfer, the Offshore Security Trustee holds fully perfected and first ranking security interests in all of the Shares and the SGHoldCo Shares;
  - (iii) such transfer does not breach the provisions of the Shareholders’ Agreement, any project agreement or any Finance Document; and
  - (iv) the Global Facility Agent has received a legal opinion in form and substance reasonably acceptable to the Global Facility Agent from such external or internal counsel as may be agreed by the Global Facility Agent confirming that the requirements of paragraphs (i) to (iii) have been satisfied.

### ***The Operator***

SCU acknowledges and agrees that the Operator Parent Company Guarantee will not be discharged except in accordance with its own terms. SCU also agrees that any sale or transfer of SCU’s entire interest in the Operator is not a permitted sale or transfer unless:

- (a) the transferee has similar experience in the operation of:
  - (i) gas-fired power projects of a similar size to, or larger than, and using a similar technology as, the Plant; and
  - (ii) water desalination projects using a similar technology as the Plant; or
- (b) the Global Facility Agent has provided its prior written consent thereto (such consent not to be unreasonably withheld).

### **Permitted Payments**

We may pay and the Subordinated Creditors may receive payments of Subordinated Liabilities if:

- (a) such payment is made from the Distribution Accounts; or
- (b) in the case of Equity Liabilities, the payment or receipt is made from monies standing to the credit of the Offshore Deposit Account which are withdrawn from that account to make that payment in accordance with the terms of the Common Terms Agreement and the payment or receipt is made in accordance with the terms of any agreement under which it is payable.

## **Subordination**

### ***Subordination of Subordinated Liabilities***

If at any time prior to the Senior Termination Date:

- (a) there occurs any distribution, division, assignment or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of our assets or the proceeds thereof, by reason of Insolvency Proceedings; or
- (b) any Insolvency Proceedings are taken in relation to us, then:
  - (i) the Subordinated Liabilities shall be subordinated and postponed to the Senior Liabilities;
  - (ii) any payment or distribution of any kind or character and all and any rights in respect thereof, whether in cash, securities or other property which is payable or deliverable upon or with respect to the Subordinated Liabilities or any part thereof by our liquidator, administrator, bankruptcy trustee, administrator or receiver (or the equivalent thereof) or our estate shall forthwith be paid or delivered to the Offshore Security Trustee for application in accordance with the Common Terms Agreement; and
  - (iii) each Subordinated Creditor will forthwith upon receipt pay to the Offshore Security Trustee all distributions in cash or in kind received by that Subordinated Creditor (or any person acting on its behalf) in respect of the Subordinated Liabilities and pending such payment will hold all such distributions on trust for the Offshore Security Trustee.

### ***Filing of Claims by Offshore Security Trustee***

At any time following the occurrence of any of the events referred to in “—*Subordination of Subordinated Liabilities*” and prior to the Senior Termination Date:

- (a) the Offshore Security Trustee may, and is hereby irrevocably empowered and authorized on behalf of the Subordinated Creditors to:
  - (i) demand, claim, sue and prove for, collect and receive every payment or distribution of any kind or character which is payable or deliverable upon or with respect to, the Subordinated Liabilities and give acquittal therefor;
  - (ii) file claims and proof and give receipts;
  - (iii) take all such proceedings and do all such things in the Offshore Security Trustee’s own name or in the name of the Subordinated Creditors as the Offshore Security Trustee may deem necessary or advisable to recover the Senior Liabilities and the Subordinated Liabilities or any payment or distribution in respect thereof or otherwise to ensure enforcement of the provisions of the SDA or otherwise to ensure the payment of debts in accordance with the provisions set out therein; or
  - (iv) receive all distributions in respect of the Senior Liabilities and the Subordinated Liabilities for application in accordance with the Common Terms Agreement; and
- (b) if and to the extent that the Offshore Security Trustee is not entitled to take any action referred to in paragraph (a), the Subordinated Creditors will do so in good time as reasonably requested by the Offshore Security Trustee.

### **Intention to Sell Local Shareholder Shares**

Each Finance Party acknowledges that ADWEA intends to sell, transfer or otherwise dispose of all or any of its shares in the share capital of UPHoldCo. As at the date of the SDA, the Finance Documents do not contain a prohibition on any such sale, transfer or other disposal. Each of the Finance Parties confirms that it does not intend to exercise any of its rights or remedies under, pursuant to or in connection with the Finance Documents in a manner which prevents the shareholders of UPHoldCo from selling, transferring or otherwise disposing of any of their shares in that company in accordance with the terms of the SDA and the other Finance Documents.

## **Heat Reclaimer Indemnity**

ADWEA shall from time to time during the period commencing on the Effective Date and ending on the Heat Reclaimer Completion Date indemnify us, within seven business days of demand by us or the Global Facility Agent, the amount of any Heat Reclaimer Deficiency. Any such payments by ADWEA shall be deemed to be made by way of a Subordinated Advance from UPHoldCo to us in an amount equal to the relevant Heat Reclaimer Deficiency payment made by ADWEA.

These obligations on the part of ADWEA shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever, and in particular but without limitation, shall not be considered satisfied by any intermediate payment and shall continue in full force and effect until the Heat Reclaimer Completion Date.

## **Governing Law**

The SDA is governed by and construed in accordance with English law.

Each party to the SDA agrees for the benefit of each of the Secured Finance Parties that any dispute, claim, difference or controversy arising out of, relating to or having any connection with the SDA, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration. The arbitral law applicable to the arbitration proceedings shall be English law.

## **Lease Direct Agreement**

The Lease Direct Agreement was entered into on November 22, 2006 by and between ADWEA, us and the Onshore Security Trustee, an amended and restated version of which is to become effective from and after the Effective Date.

Pursuant to the Lease Direct Agreement, the Land Lease shall, for all purposes, be interpreted and construed so as to give effect to the following principles, such principles reflecting the mutually accepted commercial understanding of ADWEA and us upon entering into the Land Lease:

- (a) ADWEA has a right of first refusal in respect of 60% of the share capital of any proposed substitute for us. Where ADWEA elects not to exercise this right of first refusal, then ADWEA is required to recommend to the appropriate government body that it issues an Emiri Decree (to the extent this decree is required by law) to permit the incorporation of the substitute project company as a company with up to 100% foreign ownership. The failure to issue such a decree which prevents the transfer to a substitute project company would trigger payment by ADWEA of the Senior Debt, accrued interest and termination costs;
- (b) if, upon enforcement, the Onshore Security Trustee is prevented from selling our project by reason of a legal requirement" (for example, because of the foreign ownership restrictions) or an EGAI, ADWEA must discharge the Senior Debt, accrued interest and termination costs;
- (c) ADWEA agrees to discharge the Senior Debt, accrued interest and termination costs where there has been a material increase in the costs of the Onshore Security Trustee implementing its rights under the Lease Direct Agreement. The threshold amount is an increase in excess of US\$3,000,000 which results directly from a change in law, or any action or failure to act by a governmental body of the United Arab Emirates; and
- (d) ADWEA agrees and undertakes that, for the duration of the Finance Documents, it will not exercise any rights that it may have to terminate the Land Lease or to accept the Land Lease as repudiated prior to transfer of our project to the Procurer in accordance with the terms of the PWPA.

## **Foreign Exchange Agreement**

The Foreign Exchange Agreement was entered into on November 22, 2006 by and between the Government of the Emirate of Abu Dhabi, us and the Onshore Security Trustee, an amended and restated version of which is to become effective from and after the Effective Date.

### ***Foreign Exchange and Transferability***

The Onshore Security Trustee must use its reasonable efforts to convert into U.S. dollars at a rate no worse than the Calculation Date Exchange Rate, the full amount of any Termination Payment received by us or on our behalf.

On each business day following receipt of the Termination Payment, the Onshore Security Trustee must use its reasonable efforts to convert the whole (but not part) of the Termination Payment into U.S. dollars at a rate no worse than the Calculation Date Exchange Rate. If the Onshore Security Trustee (having used its reasonable efforts to do so) is unable to convert all of the Termination Payment received into U.S. dollars at the Calculation Date Exchange Rate by the close of the fifth business day following receipt of such payment:

- (a) the Government of the Emirate of Abu Dhabi must immediately upon demand in writing by the Onshore Security Trustee, pay to the Onshore Security Trustee an amount in U.S. dollars so that the Onshore Security Trustee receives and retains an amount in U.S. dollars equal to the dirham amount of the Termination Payment converted into U.S. dollars at the Calculation Date Exchange Rate; and
- (b) immediately upon receipt of such payment, the Onshore Security Trustee must pay to the Government of the Emirate of Abu Dhabi the dirham amount of the Termination Payment.

### ***Change in Law***

If at any time prior to the Termination Date, as a result of any Change in Law (as defined in “*Summary of Principal Project Documents—Power and Water Purchase Agreement—Force Majeure and Government Action or Inaction*”), or any action or failure to act by a governmental instrumentality (including any governmental authorization ceasing to remain in full force and effect or not being issued or renewed upon application having been properly made, or the effects thereof):

- (a) any relevant project agreement, any Finance Document or any of their respective material provisions, or paragraph 4(a), 4(b) or 4(c) of the Letter of Undertaking, is or becomes or is held by any governmental instrumentality to be illegal, invalid, void, voidable or unenforceable by any party thereto in accordance with its terms or we are unable, despite using our reasonable efforts, or the Onshore Security Trustee is unable, despite its reasonable efforts, to transfer moneys outside of the United Arab Emirates or the Emirate of Abu Dhabi; and
- (b) in the reasonable opinion of the Onshore Security Trustee such illegality, invalidity, voidability, unenforceability or non-transferability materially impairs the rights of the Finance Parties under the Finance Documents or our ability to perform our obligations under the relevant project agreements or the Finance Documents,

then if such Change in Law or action or failure to act by a governmental instrumentality is not remedied within a 30-day cure period from the date of receipt by the Government of the Emirate of Abu Dhabi of a notice from the Onshore Security Trustee (extendable by an additional 60 days if such Change in Law or action or failure to act by a governmental instrumentality is capable of being cured and such cure is diligently pursued by the Government of the Emirate of Abu Dhabi), the Onshore Security Trustee will deliver to the Government of the Emirate of Abu Dhabi a certificate specifying the amount in U.S. dollars necessary to discharge in full:

- (a) the Senior Debt outstanding as at the date of such certificate;
- (b) interest accrued pursuant to the applicable Finance Documents; and
- (c) termination costs.

The Government of the Emirate of Abu Dhabi must pay such certified amount in U.S. dollars to the Onshore Security Trustee within fourteen days of receipt of such certificate, *provided that* if the Government of the Emirate of Abu Dhabi elects to exercise its rights of verification, such amount must be paid to the Onshore Security Trustee within fourteen days of completion (or deemed completion if later) of such verification.

### ***Governing Law and Dispute Resolution***

The Foreign Exchange Agreement is governed by and construed in accordance with English law. Disputes will be subject to resolution by arbitration in the city of Abu Dhabi under the Rules of the ICC by a panel of three arbitrators whose award will be final and binding.

## **Onshore Security Documents**

### ***Amended and Restated Commercial Mortgage and Onshore Security Agreement***

#### *Security*

On November 22, 2006 we entered into a Commercial Mortgage and Onshore Security Agreement (the “**Commercial Mortgage and Onshore Security Agreement**”) with the Onshore Security Trustee, as security for the due discharge of the Secured Obligations, pursuant to which we granted in favor of the Onshore Security Trustee (as onshore security trustee for the Secured Finance Parties) a first priority mortgage over a number of tangible and intangible assets and all of our rights, title, benefit and interest therein, an amended and restated version of which is to become effective from and after the Effective Date.

#### *Notifications and Additional Security*

We will immediately notify the Onshore Security Trustee of:

- (a) any acquisition by, or grant to, us or any agent, trustee or nominee on our behalf of any tangible or intangible asset (including any intellectual property) with a market value equal to or in excess of US\$ 5 million or which is material to the Project (as defined in the Common Terms Agreement);
- (b) any relevant investments; and
- (c) if, after the entering into the Commercial Mortgage and Onshore Security Agreement, we enter into any contract material to the Project, take out any insurance policy or are granted any Consent (as defined in the Commercial Mortgage and Onshore Security Agreement) material to the Project.

We will execute and deliver to the Onshore Security Trustee an addendum containing a schedule, in a form satisfactory to the Onshore Security Trustee within the timeframe set out in the Commercial Mortgage and Onshore Security Agreement after the acquisition of/entry into a relevant asset pursuant to which that asset and all of our rights, title, benefit and interest in that asset shall become subject to the security conferred on the Onshore Security Trustee by the Commercial Mortgage and Onshore Security Agreement. We shall, within a certain timeframe (as set out in the Commercial Mortgage and Onshore Security Agreement) of any addendum register it in the commercial register (if required by the Onshore Security Trustee) as an addendum to the Commercial Mortgage and Onshore Security Agreement, notify the Regulation and Supervision Bureau for the Electricity and Water Sector in the Emirate of Abu Dhabi of such interests and procure that a memorandum of the execution of that addendum is endorsed on each executed counterpart of the Commercial Mortgage and Onshore Security Agreement.

#### *Governing Law, Jurisdiction, Enforcement*

The Commercial Mortgage and Onshore Security Agreement is governed by and construed in accordance with the laws of the Emirate of Abu Dhabi and the federal laws of the United Arab Emirates. The federal civil courts of Abu Dhabi, the United Arab Emirates shall have jurisdiction to determine any proceedings, and to settle any disputes, which may arise out of or in connection with the Commercial Mortgage and Onshore Security Agreement. We have consented to the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such proceedings. We have waived and agreed not to claim any immunity from suit, execution, attachment or other legal process attributed to us or our assets.

### ***Amended and Restated Lease Mortgage***

#### *Security*

On November 22, 2006 we entered into a Lease Mortgage (the “**Lease Mortgage**”), as security for the due payment of the Secured Obligations, pursuant to which we granted in favor of the Onshore Security Trustee (as onshore security trustee for the Secured Finance Parties) a first priority mortgage over:

- (a) all our leasehold interest in the Leased Premises and the Land Easements (each as defined in the Land Lease) from time to time subsisting, subject to and with the benefit of all rights, exceptions, reservations and restrictions affecting the same and to the terms and conditions of the Land Lease;
- (b) all buildings, trade and other fixtures, and plant and machinery from time to time affixed to the Leased Premises and the Land Easements (including any part thereof or interest therein); and

(c) all other rights under the Land Lease, and,

in each case, all of our rights, title, benefit and interest, thereto or relating thereto in accordance with the Federal Law No. (18) of 1993 on Commercial Transactions (the “**Lease Mortgage**”).

The Lease Mortgage will be amended and restated on the Effective Date.

#### *Notifications and Additional Security*

We will immediately notify the Onshore Security Trustee of any acquisition by, or grant to, us or any agent, trustee or nominee on our behalf of any interest in land. On each date on which we or any agent, trustee or nominee on our behalf obtains, acquires or is granted any right, title, benefit or interest in land, we shall execute in favor of and deliver to the Onshore Security Trustee a legal mortgage granting the Onshore Security Trustee a first priority mortgage over that interest in land and all of our rights, title, benefit and interest therein substantially in the form of the Lease Mortgage or in such other form as the Onshore Security Trustee may reasonably require.

#### *Governing Law, Jurisdiction, Enforcement*

The Lease Mortgage is governed by and construed in accordance with the laws of the Emirate of Fujairah and the federal laws of the United Arab Emirates. The federal civil courts of Abu Dhabi, United Arab Emirates shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Lease Mortgage. We have consented to the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such proceedings. We have waived and agreed not to claim any immunity from suit, execution, attachment or other legal process attributed to us or our assets.

#### *Amended and Restated Company Share Pledge Agreements*

##### *Security*

On November 22, 2006, each of the International Shareholder and the Local Shareholder entered into a share pledge agreement (together the “**Company Share Pledge Agreements**”), as security for the due discharge of the Secured Obligations, pursuant to which it pledged and charged by way of a first fixed pledge and charge in favor of the Onshore Security Trustee (as onshore security trustee for the Secured Finance Parties), all of its rights, title and interest in and relating to:

- (a) its ordinary shares in our share capital;
- (b) derivative assets it holds in respect of those shares; and
- (c) all dividends, interest and other income deriving from those shares (except for any Restricted Payments payable in accordance with the provisions of the Common Terms Agreement), in each case together with any renewal or redesignation of the same, and, in each case all the rights, title, benefit and interests accruing to or arising in connection therewith.

The Company Share Pledge Agreements will be amended and restated on the Effective Date.

#### *Notifications and Additional Security*

We and each Shareholder shall immediately notify the Onshore Security Trustee of any allotment or issue to or acquisition by such Shareholder of any further of our shares. On the date on which any of our shares are issued to that Shareholder, that Shareholder shall execute and deliver to the Onshore Security Trustee an addendum containing a schedule in a form satisfactory to the Onshore Security Trustee pursuant to which all of that Shareholder’s rights, title, benefit and interest accruing to or arising in connection with our shares and the derivative assets and other income deriving from such shares and derivative assets, in each case together with any renewal or redesignation thereof, shall become subject to the security conferred on the Onshore Security Trustee by that Shareholder’s Company Share Pledge Agreement and the Shareholder shall procure that a memorandum of the execution of that addendum is endorsed on each executed counterpart of the Shareholder’s Company Share Pledge Agreement.

#### *Governing Law, Jurisdiction, Enforcement*

Each Company Share Pledge Agreement is governed by and construed in accordance with the laws of the Emirate of Fujairah and the federal laws of the United Arab Emirates. The federal civil courts of Abu Dhabi, United Arab

Emirates shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with each Company Share Pledge Agreement. We and each Shareholder have consented to the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such proceedings. We and each Shareholder have waived and agreed not to claim any immunity from suit, execution, attachment or other legal process attributed to us or our assets.

### **Offshore Security Documents**

#### ***First Offshore Deed of Charge and Assignment***

##### *Security*

On November 10, 2006, we entered into a deed of charge and assignment (the “**First Offshore Deed of Charge and Assignment**”) with Barclays Bank PLC, as the then offshore security trustee, pursuant to which we, in favor of the Offshore Security Trustee, as security for the payment of the Secured Obligations and with full title guarantee:

- (a) charged by way of fixed charge, a number of our assets including investments, plant and machinery, credit balance, book debts, monetary claims, English Assigned Property (as defined therein) (to the extent not capable of assignment or not effectively assigned), insurances, intellectual property and U.A.E. Assigned Property (as defined therein) (to the extent not capable of assignment or not effectively assigned pursuant to the Commercial Mortgage and Onshore Security Agreement);
- (b) assigned absolutely, subject to a proviso for re-assignment on redemption, all of our rights, title and interests (present and future) in and to, to the English Assigned Property, Hedging Agreements and U.A.E. Assigned Property and insurances governed by the laws of the U.A.E (to the extent not effectively assigned or charged pursuant to the Commercial Mortgage and Onshore Security Agreement); and
- (c) charged by way of a first floating charge all of our present or future assets, properties, revenues and rights of every description other than: (i) those effectively secured in favor of the Onshore Security Trustee under the laws of the Emirate of Abu Dhabi, the laws of the Emirate of Fujairah and/or the laws of United Arab Emirates; (ii) those effectively charged to the Offshore Security Trustee by way of a fixed charge or effectively assigned (whether at law or in equity) or otherwise subject to an effective fixed security; and (iii) the Distribution Accounts.

##### *Governing Law and Jurisdiction*

The First Offshore Deed of Charge and Assignment is governed by and construed in accordance with English law. The courts of England have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the First Offshore Deed of Charge and Assignment. We consented to the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such proceedings. We waived and agreed not to claim any immunity from suit, execution, attachment or other legal process attributed to us or our assets.

#### ***RO Offshore Deed of Charge and Assignment***

##### *Security*

On January 16, 2013, we entered into a deed of charge and assignment (the “**RO Offshore Deed of Charge and Assignment**”) with Barclays Bank PLC, as the then offshore security trustee, pursuant to which we, in favor of the Offshore Security Trustee, as security for the payment of the Secured Obligations and with full title guarantee:

- (a) charged by way of fixed charge, a number of our assets including investments, credit balance, insurances and U.A.E. Assigned Property (as defined therein) (to the extent not capable of assignment or not effectively assigned pursuant to the Commercial Mortgage and Onshore Security Agreement);
- (b) assigned absolutely, subject to a proviso for re-assignment on redemption, all of our rights, title and interests (present and future) in and to, U.A.E. Assigned Property and RO insurances (to the extent not effectively assigned or charged pursuant to the onshore security documents); and
- (c) charged by way of a first floating charge all of our present or future rights of every description in relation to the RO project accounts and the RO insurances other than: (i) those effectively secured in favor of the Onshore Security Trustee under the laws of the Emirate of Abu Dhabi, the laws of the Emirate of Fujairah and/or the

laws of United Arab Emirates; (ii) those effectively charged to the Offshore Security Trustee by way of a fixed charge or effectively assigned (whether at law or in equity) or otherwise subject to an effective fixed security; and (iii) the Distribution Accounts.

#### *Governing Law and Jurisdiction*

The RO Offshore Deed of Charge and Assignment is governed by and construed in accordance with English law. The courts of England have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the First Offshore Deed of Charge and Assignment. We consented to the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such proceedings. We waived and agreed not to claim any immunity from suit, execution, attachment or other legal process attributed to us or our assets.

#### ***Second Offshore Deed of Charge of Assignment***

##### *Security*

In consideration of, *inter alia*, the Secured Finance Parties entering into the Common Terms Agreement and as security for the due discharge of the Secured Obligations, we will enter into a second deed of charge and assignment with the Offshore Security Trustee on or about the Effective Date (the “**Second Offshore Deed of Charge and Assignment**”), pursuant to which we will:

- (a) charge by way of fixed charge in favor of the Offshore Security Trustee, in each case, subject to the security interests created pursuant to the First Offshore Deed of Charge, with full title guarantee, a number of our assets including investments, credit balances, the DBO Agreement and the PWPA (to the extent not effectively assigned or charged pursuant to the Commercial Mortgage and Onshore Security Agreement) any authorizations and insurances;
- (b) charge by way of a floating charge all of our present or future rights of every description in relation to the Project (as defined in the PWPA) and insurances other than: (i) those secured in favor of the Onshore Security Trustee under the laws of the Emirate of Abu Dhabi and/or the laws of United Arab Emirates; (ii) those effectively charged to the Offshore Security Trustee by way of a fixed charge, assignment (whether at law or in equity) or other effective fixed security; and (iii) the Distribution Accounts; and
- (c) assign absolutely, subject to a proviso for re-assignment on redemption, all of our rights, title and interests (present and future) in and to, to the extent not effectively assigned to or charged in favor of the Onshore Security Trustee, the DBO Agreement and PWPA and insurances.

#### *Governing Law and Jurisdiction*

The Second Offshore Deed of Charge and Assignment is governed by and construed in accordance with English law. Any dispute, claim, difference or controversy arising out of the Second Offshore Deed of Charge and Assignment shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration.

#### ***Amended and Restated SGHoldCo Share Mortgage Agreement***

##### *Security*

On September 10, 2014, SCU entered into an equitable share mortgage, as security for the due discharge of the Secured Obligations pursuant to which SCU, as legal and beneficial owner:

- (a) mortgages in favor of the Offshore Security Trustee by way of an equitable mortgage all its right, title and interest in and to: (i) its ordinary shares in SGHoldCo’s share capital (the “Mortgaged Shares”); (ii) any shares acquired in respect of Mortgaged Shares by reason of a division or combination of shares, share dividend, reclassification or otherwise; and (iii) all other shares in SGHoldCo from time to time legally or beneficially owned by SCU (together, the “Mortgaged Property”); and
- (b) charges in favor of the Offshore Security Trustee, all of its right, title and interest in and to the Mortgaged Property including all benefits, present and future, actual and contingent accruing in respect of the Mortgaged Property (to the extent not effectively mortgaged under paragraph (a)),

(the “**SGHoldCo Share Mortgage Agreement**”).

SGHoldCo Share Mortgage Agreement will be amended and restated on the Effective Date.

*Governing Law, Jurisdiction, Enforcement*

The SGHoldCo Share Mortgage Agreement will be governed by the laws of the British Virgin Islands. The courts of the British Virgin Islands have exclusive jurisdiction to settle disputes arising in connection with the Amended and Restated Equitable Share Mortgage, provided that the Offshore Security Trustee may elect to take proceedings in any other jurisdiction.

## **OVERVIEW OF THE UNITED ARAB EMIRATES, THE EMIRATE OF ABU DHABI AND THE EMIRATE OF FUJAIRAH**

### **Introduction**

While our project is physically located, and we are incorporated, in the Emirate of Fujairah, the Government of the Emirate of Abu Dhabi and the entities that it directly or indirectly owns are the key governmental stakeholders in our project. For example, the Government of the Emirate of Abu Dhabi controls 60% of the beneficial ownership of our project, is ultimately the sole purchaser of our power and water capacity and output under the Power and Water Purchase Agreement, and is the guarantor pursuant to an unconditional and irrevocable guarantee of the mandatory purchase payment obligations under the Power and Water Purchase Agreement, following termination of the Power and Water Purchase Agreement in certain circumstances. Accordingly, this section provides an overview of the United Arab Emirates and the Emirate of Abu Dhabi and focuses on the economics of the Emirate of Abu Dhabi.

### **The United Arab Emirates**

The United Arab Emirates is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 when six of the seven Emirates merged to form the United Arab Emirates (with Ras-al-Khaimah joining in February 1972). Each Emirate has a local government headed by the Ruler of the Emirate. The Government of the United Arab Emirates is headed by the President.

The federation is governed by the Supreme Council of the Rulers, which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of the Emirate 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 substantial investment in the infrastructure of the United Arab Emirates, which transformed the country. Following his death, his son, H.H. Sheikh Khalifa bin Zayed Al Nahyan, took over as Ruler of the Emirate of Abu Dhabi and was elected as President of the United Arab Emirates.

According to OPEC data, as at December 31, 2016, the United Arab Emirates had proven crude oil reserves amounting to 97,800 million barrels, which represented approximately 6.6% of the world's proven crude oil reserves which stood at 1,492 billion barrels (giving it the sixth largest oil reserves in the world). As at December 31, 2016, the value of petroleum exports amounted to approximately US\$45.6 billion for the year ended December 31, 2016 (being 15.3% of the total value of exports and 12.3% of the United Arab Emirates' GDP at market prices). According to OPEC data, as at December 31, 2016, the United Arab Emirates had approximately 6,091 billion standard cubic meters of proven natural gas reserves, representing approximately 3.0% of the world's proven natural gas reserves of 200,539.1 billion standard cubic meters.

The United Arab Emirates has a more diversified economy than most of the other countries in the GCC region and the Government of the United Arab Emirates is proactively implementing measures to further diversify the United Arab Emirates' economy away from oil.

On May 27, 2017, Moody's affirmed the United Arab Emirates' long-term credit rating of Aa2, changing the outlook from negative to stable. Reasons cited for the outlook change include an effective policy response to the low oil price environment via an acceleration in the country's reform agenda; expected improvement in the fiscal and current account positions; and the economy's growth and diversification prospects. The United Arab Emirates is not rated by the other rating agencies.

In May 2014, the MSCI Emerging Markets Index upgraded the United Arab Emirates to an "emerging market" economy (compared to the previous classification of "frontier market").

### **The Emirate of Fujairah**

The Emirate of Fujairah is located on the eastern side of the United Arab Emirates, along the Gulf of Oman. Its strategic location, which provides easy access to international shipping routes, has played a key role in its development as one of the world's top oil-bunkering ports. Its current ruler is His Highness Sheikh Hamad bin Mohammed Al Sharqi who has been in power since 1974.

According to the Fujairah Statistics Center, as at December 31, 2016, the Emirate of Fujairah's population was 225,360.

## The Emirate of Abu Dhabi

### Introduction

The Emirate of Abu Dhabi is the largest of the seven Emirates, and the city of Abu Dhabi is also the capital of the United Arab Emirates. The Emirate of Abu Dhabi has approximately 96.0% of the United Arab Emirates' total proven crude oil reserves.

The table below shows the Emirate of Abu Dhabi's crude oil production, exports and the price average for each of the years indicated.

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Crude oil production (million b/d) .....	3.0	2.9	2.7	2.7
Crude oil exports (million b/d) .....	2.4	2.4	2.2	2.5
Price average <sup>(1)</sup> (US\$ per barrel).....	42.7	50.4	103.5	109.2

Source: SCAD.

(1) Includes other prices of crude oil.

While the oil and gas industry plays an important role in the economy of the Emirate of Abu Dhabi, the Government of the Emirate of Abu Dhabi has adopted a long-term plan aimed at diversifying the economic base and increasing the contribution of non-oil activities to economic growth in the Emirate of Abu Dhabi. Such diversification is regarded as essential by the Government of the Emirate of Abu Dhabi for the balanced and sustainable future growth of the economy of the Emirate of Abu Dhabi.

### Population

The population of the United Arab Emirates, based on a census carried out in 2005, which is the most recent census for which data has been published, and according to the FCSA, was approximately 4.1 million, of whom approximately 1.4 million resided in the Emirate of Abu Dhabi. The most recent population estimate for the United Arab Emirates was made by the FCSA for 2016. According to the FCSA, as at December 31, 2016, the population of the United Arab Emirates was approximately 9.1 million. According to the SCAD, as at June 30, 2016, the population of the Emirate of Abu Dhabi was approximately 2.9 million.

The populations of both the United Arab Emirates and the Emirate of Abu Dhabi have grown significantly since 1975 as the Emirates have developed. The table below illustrates this growth, using official census data for the period 1975 to 2005 and SCAD, FCSA and World Bank data for the period 2010 to 2016.

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2010</u>	<u>2005</u>	<u>1995</u>	<u>1985</u>	<u>1975</u>
Emirate of Abu Dhabi population.....	2,908,173 <sup>(1)</sup>	2,784,490 <sup>(1)</sup>	2,656,448 <sup>(1)</sup>	1,967,659 <sup>(1)</sup>	1,399,484	942,463	566,036	211,812
Total United Arab Emirates population.....	9,121,167 <sup>(2)</sup>	9,154,302 <sup>(3)</sup>	9,070,867 <sup>(3)</sup>	8,264,070 <sup>(4)</sup>	4,106,427	2,411,041	1,379,303	557,887

Sources: FCSA, SCAD and World Bank.

(1) SCAD mid-year estimates.

(2) FCSA estimates as at December 31, 2016.

(3) World Bank estimates.

(4) FCSA mid-year estimates.

Since 2005, the Emirate of Abu Dhabi's population has grown by 108% to 2,908,173 as at June 30, 2016. In 2016, based on the SCAD mid-year estimates, the Emirate of Abu Dhabi had a predominantly young population with 0.9% being 65 years old and above and 16.6% being under the age of 15. The population mix as at mid-year 2016 was estimated by the SCAD to have comprised 19.0% United Arab Emirates nationals and 81.0% non-United Arab Emirates nationals.

### Gross Domestic Product

#### Nominal GDP

The Emirate of Abu Dhabi's nominal GDP grew in each year from 2012 to 2014. Since 2015, its nominal GDP has been decreasing, with its nominal GDP decreasing to approximately AED 778,501 million (approximately US\$211,986 million) in 2015, a decrease of 18.9% compared with 2014. According to preliminary estimates from the

SCAD, in 2016, the Emirate of Abu Dhabi's nominal GDP was approximately AED 728,518 million (approximately US\$198,375 million), representing a decrease of 6.4% compared with 2015. This decrease mainly reflects substantially lower oil prices since 2015.

In 2016, the Emirate of Abu Dhabi's nominal GDP amounted to 56.9% of the United Arab Emirates' nominal GDP in the same year, showing the importance of the Emirate of Abu Dhabi's contribution to the overall economy of the United Arab Emirates.

In recent years, the non-oil industry's contribution to the Emirate of Abu Dhabi's economy has significantly grown, showing a commitment from the Government of the Emirate of Abu Dhabi and the Government of the United Arab Emirates overall to diversify the country's economy. The contribution of the non-oil industry to the Emirate of Abu Dhabi's nominal GDP increased from 43.3% in 2012 to 64.9% in 2015. According to preliminary estimates from the SCAD, in 2016, the non-oil industry contributed 72.5% to the Emirate of Abu Dhabi's nominal GDP.

The table below shows the Emirate of Abu Dhabi's nominal GDP, its annual percentage change, the United Arab Emirates' nominal GDP and the percentage contribution of the Emirate of Abu Dhabi's nominal GDP to the United Arab Emirates' nominal GDP for each of the years indicated.

	2016	2015	2014	2013	2012
	<i>(AED millions, except for percentage)</i>				
Emirate of Abu Dhabi nominal GDP.....	728,518 <sup>(1)</sup>	778,501	960,146	931,773	909,721
Percentage change in Emirate of Abu Dhabi nominal GDP .....	(6.4)	(18.9)	3.0	2.4	7.4
United Arab Emirates nominal GDP.....	1,280,760 <sup>(1)</sup>	1,314,568 <sup>(1)</sup>	1,480,743 <sup>(1)</sup>	1,433,844	1,376,519
Emirate of Abu Dhabi nominal GDP as a percentage of United Arab Emirates nominal GDP .....	56.9	59.2	64.8	65.0	66.1

Sources: SCAD (for the Emirate of Abu Dhabi's nominal GDP) and FCSA (for the United Arab Emirates' nominal GDP).

(1) Preliminary estimates.

### ***Principal Sectors of the Economy***

While there has been a decline in the contribution of the oil industry to the Emirate of Abu Dhabi's economy in recent years due to lower oil prices, the mining and quarrying sector (including crude oil and natural gas) remains the single most significant contributor to the Emirate of Abu Dhabi's nominal GDP, contributing 56.7% in 2012, 54.5% in 2013, 50.6% in 2014, 35.1% in 2015 and 27.5% in 2016. Outside the mining and quarrying sector, the principal contributors to the Emirate of Abu Dhabi's nominal GDP in each of 2012, 2013, 2014, 2015 and 2016 have been:

- (a) construction (which accounted for 12.6% of the Emirate of Abu Dhabi's nominal GDP in 2016);
- (b) financial and insurance activities (which accounted for 9.8% of the Emirate of Abu Dhabi's nominal GDP in 2016);
- (c) public administration and defense and compulsory social security (which accounted for 7.3% of the Emirate of Abu Dhabi's nominal GDP in 2016);
- (d) manufacturing (which accounted for 6.9% of the Emirate of Abu Dhabi's nominal GDP in 2016);
- (e) real estate activities (which accounted for 6.1% of the Emirate of Abu Dhabi's nominal GDP in 2016);
- (f) wholesale and retail trade and repair of motor vehicles and motorcycles (which accounted for 5.9% of the Emirate of Abu Dhabi's nominal GDP in 2016); and
- (g) transportation and storage (which accounted for 5.5% of the Emirate of Abu Dhabi's nominal GDP in 2016).

Together, these sectors accounted for 32.1% of the Emirate of Abu Dhabi's nominal GDP in 2012, 34.2% in 2013, 37.3% in 2014, 48.8% in 2015 and 54.1% in 2016, showing the increasing role of the non-oil industry in the Emirate of Abu Dhabi's economy.

The following table shows the Emirate of Abu Dhabi's nominal GDP by economic activity and by percentage contribution, and the year on year growth rate, for each of the years indicated.

Sector	2016 <sup>(1)</sup>			2015			2014		
	(AED millions)	(%)	(2016 compared to 2015, % change)	(AED millions)	(%)	(2015 compared to 2014, % change)	(AED millions)	(%)	(2014 compared to 2013, % change)
Agriculture, forestry and fishing .....	6,020	0.8	5.6	5,699	0.7	3.3	5,517	0.6	3.1
Mining and quarrying (includes crude oil and natural gas) .....	200,672	27.5	(26.5)	273,078	35.1	(43.7)	485,469	50.6	(4.4)
Manufacturing.....	50,587	6.9	0.5	50,324	6.5	(3.0)	51,900	5.4	12.4
Electricity, gas and water supply; waste management activities.....	32,671	4.5	9.5	29,831	3.8	25.5	23,765	2.5	9.9
Construction.....	91,722	12.6	3.3	88,782	11.4	5.9	83,812	8.7	7.3
Wholesale and retail trade; repair of motor vehicles and motorcycles .....	42,917	5.9	4.6	41,038	5.3	10.4	37,187	3.9	14.9
Transportation and storage..	39,951	5.5	7.8	37,065	4.8	2.5	36,166	3.8	10.6
Accommodation and food service activities.....	9,572	1.3	3.5	9,244	1.2	2.6	9,013	0.9	9.7
Information and communication .....	22,211	3.0	4.3	21,293	2.7	3.1	20,643	2.1	11.3
Financial and insurance activities .....	71,397	9.8	4.1	68,555	8.8	11.8	61,331	6.4	20.6
Real estate activities .....	44,512	6.1	8.1	41,177	5.3	14.5	35,972	3.7	23.3
Professional, scientific and technical activities .....	19,828	2.7	4.3	19,016	2.4	2.5	18,545	1.9	5.0
Administrative and support service activities.....	11,391	1.6	5.4	10,811	1.4	6.3	10,173	1.1	9.8
Public administration and defense; compulsory social security.....	52,972	7.3	1.1	52,383	6.7	1.5	51,620	5.4	7.5
Education.....	12,263	1.7	4.6	11,719	1.5	2.2	11,463	1.2	12.1
Human health and social work activities.....	12,378	1.7	6.7	11,604	1.5	3.4	11,224	1.2	9.9
Arts, recreation and other service activities.....	2,537	0.3	6.5	2,381	0.3	3.8	2,294	0.2	2.9
Activities of households as employers.....	4,918	0.7	9.2	4,502	0.6	11.1	4,052	0.4	26.0
<b>Total Nominal GDP .....</b>	<b>728,518</b>	<b>100</b>	<b>(6.4)</b>	<b>778,501</b>	<b>100</b>	<b>(18.9)</b>	<b>960,146</b>	<b>100</b>	<b>3.0</b>

Sector	2013			2012		
	(AED millions)	(%)	(2013 compared to 2012, % change)	(AED millions)	(%)	(2012 compared to 2011, % change)
Agriculture, forestry and fishing .....	5,349	0.6	6.5	5,024	0.6	3.8
Mining and quarrying (includes crude oil and natural gas) .....	507,824	54.5	(1.6)	516,214	56.7	7.0
Manufacturing.....	46,174	5.0	(0.3)	46,324	5.1	(0.2)
Electricity, gas and water supply; waste management activities.....	21,622	2.3	0.4	21,532	2.4	16.3
Construction.....	78,133	8.4	1.2	77,231	8.5	(2.1)

Wholesale and retail trade; repair of motor vehicles and motorcycles.....	32,351	3.5	11.2	29,085	3.2	12.3
Transportation and storage..	32,706	3.5	7.8	30,337	3.3	9.2
Accommodation and food services activities.....	8,215	0.9	1.2	8,119	0.9	1.4
Information and communication .....	18,550	2.0	1.9	18,204	2.0	(3.5)
Financial and insurance activities.....	50,847	5.5	37.3	37,037	4.1	25.0
Real estate activities .....	29,172	3.1	(7.3)	31,486	3.5	18.4
Professional, scientific and technical activities .....	17,663	1.9	1.4	17,426	1.9	(5.0)
Administrative and support service activities.....	9,267	1.0	0.8	9,195	1.0	0.6
Public administration and defense; compulsory social security.....	48,016	5.2	19.2	40,293	4.4	20.3
Education.....	10,226	1.1	3.6	9,867	1.1	17.8
Human health and social work activities.....	10,213	1.1	34.6	7,590	0.8	43.5
Arts, recreation and other service activities.....	2,228	0.2	(16.6)	2,673	0.3	13.5
Activities of households as employers.....	3,216	0.3	54.3	2,084	0.2	16.6
<b>Total Nominal GDP .....</b>	<b>931,773</b>	<b>100</b>	<b>2.4</b>	<b>909,721</b>	<b>100</b>	<b>7.4</b>

Source: SCAD.

Figures may not sum up to totals due to rounding.

Note: According to the System of National Accounts 2008, the Imputed Bank Services charge was distributed to economic activities.

(1) Preliminary estimates.

### **Credit Ratings**

On May 25, 2017, Moody's affirmed the Government of the Emirate of Abu Dhabi's long-term ratings at Aa2, changing the outlook from negative to stable. Reasons cited for the outlook change include an effective and broad policy response to the lower oil price environment via an acceleration in the reform agenda; the economy's growth prospects, supported by a healthy banking system; and an easing of contingent liability risk. Moody's also affirmed the Government of the Emirate of Abu Dhabi's short-term rating at Prime-1.

On July 21, 2017, S&P affirmed the Government of the Emirate of Abu Dhabi's foreign and local currency sovereign credit ratings at AA long-term with a stable outlook and A-1+ short-term with a stable outlook. Reasons cited for the ratings affirmation include the Emirate of Abu Dhabi's strong fiscal and external positions. S&P further commented that the exceptional strength of the Government of the Emirate of Abu Dhabi's net asset position provides a buffer to counteract the negative impact of lower oil prices on economic growth, the Government of the Emirate of Abu Dhabi's revenues, the external account and increased geopolitical uncertainty in the region. On the other hand, S&P highlighted the fact that the Emirate of Abu Dhabi's political institutions are at a nascent stage of development compared with those of non-regional peers in the same rating category and that limited monetary policy flexibility (given the dirham's peg to the U.S. dollar), gaps and delays in the provision of macroeconomic, fiscal and external data and the underdeveloped local currency domestic bond market also weighed on the ratings.

On January 23, 2017, Fitch Ratings Ltd. affirmed the Government of the Emirate of Abu Dhabi's long-term foreign and local currency issuer default ratings at AA with a stable outlook and the short-term foreign and local currency issuer default ratings at F1+ and the country ceiling at AA+. Reasons cited for the ratings affirmation include the Emirate of Abu Dhabi's strong fiscal and external metrics and high GDP per capita, counterbalanced by high dependence on hydrocarbons, a relatively weak policy framework and weak data availability compared with peer entities.

## Financial and Insurance Activities

The financial and insurance activities sector (which principally reflects the activities of banks) is accounting for a growing share in the economy of the Emirate of Abu Dhabi. This sector contributed 4.1% to the Emirate of Abu Dhabi's nominal GDP in 2012, 5.5% in 2013, 6.4% in 2014, 8.8% in 2015 and 9.8% in 2016.

The value of shares traded on the Abu Dhabi Securities Exchange amounted to AED 22.3 billion in 2012, AED 84.9 billion in 2013, AED 144.6 billion in 2014, AED 60.2 billion in 2015 and AED 49.0 billion in 2016.

Market capitalization of the shares traded has increased steadily since 2012, increasing from AED 285.2 billion in 2012 to AED 444.2 billion in 2016. The number of listed domestic companies trading on the Abu Dhabi Securities Exchange increased from 63 in 2012 to 65 in 2016 and the number of listed foreign companies was three throughout the period.

## Inflation

The table below shows the annual CPI and inflation rates in the Emirate of Abu Dhabi from 2012 to 2016.

	2012	2013	2014	2015	2016
CPI <sup>(1)</sup> .....	95.7	96.9	100.0	104.3	106.4
Inflation rate (in %) .....	1.1	1.3	3.2	4.3	2.0

Source: SCAD.

(1) Until 2014, the base year was 2007.

In 2016, the inflation rate was 2.0% compared with 2015, as evidenced by the increase in the CPI from 104.3 points in 2015 to 106.4 points in 2016. The principal reason for the increase in inflation during 2016 compared with 2015 was an increase of 5.6% in the prices of housing, water, electricity, gas and other fuels.

The table below shows the principal components of the CPI (with 2014 as the base year) in the Emirate of Abu Dhabi for 2016, the percentage change compared with 2015 and the index weighting of each component.

Groups of Commodities and Services	Index Weight (100)	Relative change (in %)
Food and beverages.....	12.3	(0.1)
Tobacco.....	0.2	2.6
Clothing and footwear.....	5.4	0.9
Housing, water, electricity, gas and fuels.....	31.2	5.6
Furnishings, household equipment.....	7.2	(0.3)
Health.....	1.6	3.8
Transport.....	14.7	(1.7)
Communication.....	5.0	(3.2)
Recreation and culture.....	4.8	(1.2)
Education.....	6.9	3.0
Restaurants and hotels.....	3.8	3.9
Miscellaneous goods and services.....	7.0	2.4
<b>Total</b> .....	<b>100</b>	<b>2.0</b>

Source: SCAD.

## Employment and Wages

As at December 31, 2016, based on estimates published by the SCAD, the labor force (which consists of the employed and unemployed population aged fifteen and above, both nationals and non-nationals) in the Emirate of Abu Dhabi constituted 68.1% of the total population and 81.5% of the population aged fifteen and above. In 2016, the unemployment rate in the Emirate of Abu Dhabi was estimated at 4.4%, up from 3.7% in 2015.

The table below shows the distribution of employed population (fifteen years and above) in the Emirate of Abu Dhabi by economic activity in 2016.

<b>Economic Activity</b>	<b>%</b>
Agriculture, forestry and fishing.....	0.4
Mining and quarrying .....	6.8
Manufacturing.....	5.9
Electricity, gas, steam and air conditioning supply.....	0.5
Water supply; sewerage, waste management and remediation activities.....	0.2
Construction.....	20.5
Wholesale and retail trade repair of motor vehicles and motorcycles .....	4.7
Transportation and storage.....	2.8
Accommodation and food service activities .....	4.2
Information and communication.....	1.2
Financial and insurance activities .....	1.5
Real estate activities .....	3.0
Professional, scientific and technical activities.....	2.7
Administrative and support service activities .....	3.6
Public administration and defense; compulsory social security.....	7.6
Education .....	2.8
Human health and social work activities .....	2.3
Arts, entertainment and recreation.....	0.4
Other service activities .....	0.9
Activities of households as employers (undifferentiated goods and services).....	27.6
Activities of extraterritorial organizations and bodies .....	0.1
Not stated.....	0.3
<b>Total</b> .....	<b>100</b>

Source: SCAD.

In 2016, the five principal sectors of employment in the Emirate of Abu Dhabi were activities of households as employers (undifferentiated goods and services), construction, public administration and defense; compulsory social security, mining and quarrying and manufacturing, with 27.6%, 20.5%, 7.6%, 6.8% and 5.9% of the employed population, respectively.

The Abu Dhabi Retirement Pensions & Benefits Fund (the “**Pension Fund**”) was created in June 2000 to provide pensions to all United Arab Emirates nationals employed in the public and the private sectors in the Emirate of Abu Dhabi. Monthly contributions are made to the Pension Fund by both employers (at a rate of 15%) and employees (at a rate of 5%) based on the employee’s monthly salary. The Government of the Emirate of Abu Dhabi also contributes an additional sum of 6% once a year.

The Pension Fund provides a percentage of the average salary of the final three years of employment, which ranges from 48% after fifteen years of employment to 80% after 25 years of employment. If the actual period of service exceeds 25 years, the employee may receive a benefit for the additional period equal to a three-month salary or remuneration for each year, based on the value of the last salary. Non-United Arab Emirates nationals are not entitled to pensions but are legally entitled to end-of-service benefits based on the length of service and in accordance with the terms of their employment contracts. As at December 31, 2016, the total number of customers of the Pension Fund reached 101,205 customers, representing a 5% increase in comparison with 2015. In 2016, the Pension Fund launched its 2016-2020 strategic plan, consisting of long-term, short-term objectives and interim programs.

The Thiqa Health Insurance Program was launched in the Emirate of Abu Dhabi in May 2008 as part of the implementation of Abu Dhabi Health Insurance Law No. (23) of 2005 and is provided by the National Health Insurance Company, DAMAN. The Thiqa Health Insurance Program covers all United Arab Emirates nationals working and residing in the Emirate of Abu Dhabi. Non-United Arab Emirates nationals are required to take out health insurance which is paid for by their employers.

## **Infrastructure**

### *Roads and Highways*

The Emirate of Abu Dhabi has an extensive network of roads connecting it with the Kingdom of Saudi Arabia in the west, the Sultanate of Oman in the east and Dubai in the north.

As part of the “Plan Abu Dhabi 2030 – Urban Structure Framework Plan”, the Government of the Emirate of Abu Dhabi envisages an integrated transport system for the city of Abu Dhabi, utilizing and extending the existing regular grid of boulevards running through the city with a view to distributing traffic evenly and more efficiently through the core. New freeways will be constructed where necessary, including new connections between Saadiyat Island and the airport and connecting Al Reem and Saadiyat Islands to Al Raha Beach. In addition, feasibility studies are being conducted in relation to a possible high speed rail line linking the central station with Abu Dhabi International Airport and, ultimately, Dubai and a freight line connecting Khalifa Port, the airport and Jebel Ali with other GCC countries. Consideration is also being given to two metro lines and surface light rail to minimize the need for walking and improved streetscapes to maximize pedestrian safety and comfort. Further, a network of ferry routes utilizing the waterways surrounding the new island developments is planned.

### *Ports and Airports*

Khalifa Port is the Emirate of Abu Dhabi’s main general cargo port and it handles all of the Emirate of Abu Dhabi’s container traffic. It is the first semi-automated container port in the Middle East and North Africa region and one of the most technologically advanced ports in the world, capable of accommodating the largest ships currently built. Dredging and reclamation work commenced on the project in February 2008 and the port was officially inaugurated in December 2012. Khalifa Port was constructed on a reclaimed island located halfway between the cities of Abu Dhabi and Dubai. It is owned by Abu Dhabi Ports and operated by Abu Dhabi Terminals. Upon completion, Khalifa Port took over all of the existing container traffic operations of Zayed Port, which is the oldest commercial port in the Emirate of Abu Dhabi. Zayed Port has expanded its status as a premier regional hub to encompass cruise tourism and general and bulk cargo. Terminals at Jebel Dhanna, Fujairah and Das and Zirku islands handle a significant proportion of the Emirate of Abu Dhabi’s crude oil and gas exports.

Khalifa Port currently has an annual handling capacity of 2.5 million 20-foot equivalent units (“TEU”) and twelve million tons of general cargo. Upon completion of all the phases of Khalifa Port, Khalifa Port’s annual handling capacity is expected to increase to fifteen million TEUs and 35 million tons of general cargo. Khalifa Port’s infrastructure includes a four-km long quay wall, 20 shipping lanes and 52 automated stacking cranes. In 2016, Khalifa Port was named the second fastest growing port in the world.

Since its establishment in 2006, Abu Dhabi Airports has had overall responsibility for the redevelopment of the Emirate of Abu Dhabi’s aviation infrastructure. Abu Dhabi Airports owns and operates five airports: Abu Dhabi International Airport, Al Ain International Airport, Al Bateen Executive Airport, Delma Island Airport and Sir Bani Yas Island Airport. Abu Dhabi International Airport is the second largest airport in the United Arab Emirates. In 2016, it served over 24 million passengers, a 5.1% increase compared with 2015.

Abu Dhabi Airports is undertaking a multi-billion dirham project to develop the new 742,000 square meter Midfield Terminal Building. This project is expected to nearly double the Abu Dhabi International Airport’s capacity, to 45 million, when it is completed, which is currently anticipated to be in 2019.

### *Telecommunications*

The United Arab Emirates has a well-developed, technologically-advanced telecommunications infrastructure and has a high mobile telephone penetration rate. The primary United Arab Emirates service providers for national and international fixed-line network, mobile telephony, internet access and cable television services are Emirates Telecommunications Corporation (“Etisalat”), which has been in operation since 1976 and Emirates Integrated Telecommunications Company (“EITC”), which operates under the brand name “du” and which was formed in 2006 as a result of the Government of the United Arab Emirates’ initiative to end the monopoly of Etisalat. As at December 31, 2016, EITC was owned 39.56% by Emirates Investment Authority, 19.75% by Mubadala Investment Company (“Mubadala”), 19.5% by Emirates International Telecommunications Company LLC and 21.19% by other shareholders holding less than 5% of EITC’s share capital each.

According to the Telecommunications Regulatory Authority, as of December 31, 2016, in the United Arab Emirates, there were approximately 2.3 million subscribers of fixed telephony services (including integrated services digital network), 19.9 million active subscribers of mobile services and 1.3 million subscribers of internet services. No separate statistics are available for the Emirate of Abu Dhabi.

### *Energy*

The Emirate of Abu Dhabi’s water and electricity sector comprises the production, transmission, distribution and supply of electricity and potable water to customers. In 1998, ADWEA was formed by the Government of the Emirate of Abu Dhabi to assume responsibility for the water and electricity sector in the Emirate of Abu Dhabi.

Electricity is generated in predominantly gas-fired power plants located throughout the Emirate of Abu Dhabi. Transmission of electricity in the Emirate of Abu Dhabi is undertaken by Transco. The main transmission network operates at 400 kV and 220 kV with a sub-transmission system operating at 132 kV. Electricity is distributed to customers at 33 kV, 22 kV, 11 kV and 0.4 kV through AADC and ADDC.

The 1.17 gigawatt solar photovoltaic project located at Sweihan is currently under construction. The project is being built by a consortium of Japanese and Chinese companies and is the largest solar photovoltaic project in the world. It is expected to enter into commercial operation in 2019.

In the Emirate of Abu Dhabi, potable water is produced by desalination plants. Desalination takes place predominantly alongside the generation of electricity in cogeneration plants. Water is transmitted through approximately 3,289 km mains ranging in diameter from 500 mm to 1,600 mm, 50 pumping stations and 124 water storage reservoirs. Distribution to customers is carried out through pipelines and, in some remote areas, by road tankers.

According to the Regulation and Supervision Bureau, in 2016, the annual generation of power was 80,527 gigawatt hours and the annual production of potable water was 270,241 million imperial gallons. In 2016, in the Emirate of Abu Dhabi, there were approximately 499,000 electricity customers and approximately 369,000 water customers.

The Government of the United Arab Emirates has committed to a program for peaceful civilian nuclear energy with the key objective of generating safe, efficient, reliable, environmental friendly and commercially viable nuclear power to support the social and economic growth in the country. In 2009, Emirates Nuclear Energy Corporation (“**ENEC**”) was established by the Government of the Emirate of Abu Dhabi and charged with the implementation of the U.A.E.’s peaceful civilian nuclear energy program, including the development of nuclear power plants and associated activities. ENEC is currently developing and managing the U.A.E.’s first nuclear plant located at Barakah in the Emirate of Abu Dhabi, which is one of the largest in the world and is comprised of four nuclear reactors with a capacity of approximately 1,400 MW each. The first reactor is scheduled to begin delivering electricity to the U.A.E. grid in 2018. Once the four reactors are fully operational, the Barakah nuclear plant will supply up to 25% of the U.A.E.’s electricity needs.

In January 2017, the Government of the United Arab Emirates unveiled the U.A.E. Energy Plan for 2050 (the “**Plan**”), which targets an energy mix that combines renewable, nuclear and clean energy resources to meet the country’s economic requirements and environmental goals. The Plan envisages increasing the contribution of clean energy in the total energy mix from 25% to 50% by 2050 and cutting carbon footprint during power generation by 70% over the next three decades. The energy equation targeted by the Plan is as follows: 44% clean energy, 38% gas, 12% clean coal and 6% nuclear.

### **Foreign Direct Investment**

The Government of the Emirate of Abu Dhabi has taken initiatives to establish favorable conditions and enhance investor confidence in the Emirate of Abu Dhabi’s economy. These include a transparent tax structure, with a supporting judicial system, investment encouraging business legislation and the establishment of industrial and free zones.

According to preliminary estimates from the SCAD, in 2016, the total value of foreign direct investment (“**FDI**”) amounted to AED 95,145 million, representing an 8.0% increase from 2015 when it amounted to AED 88,095 million. In 2014, FDI amounted to AED 81,112 million.

The table below shows the total stock of FDI by economic activity for each of the years indicated.

	<b>2014</b>	<b>2015</b>	<b>2016<sup>(1)</sup></b>
	<i>(AED millions)</i>		
Mining and quarrying (including crude oil and natural gas) .....	7,045	8,354	9,273
Manufacturing .....	15,502	17,204	19,182
Electricity, gas and water supply; waste management .....	8,279	10,190	11,413
Construction .....	7,281	6,379	6,825
Wholesale and retail trade; repair of motor vehicles and motorcycles	295	559	637
Transportation and storage .....	1,850	3,523	3,840
Accommodation and food services .....	18	24	27
Information and communication .....	151	139	141
Financial institutions and insurance .....	12,731	13,338	14,672

	<b>2014</b>	<b>2015</b>	<b>2016<sup>(1)</sup></b>
Real estate <sup>(2)</sup> .....	23,513	23,793	24,007
Professional, scientific and technical .....	3,015	3,198	3,597
Administrative and support services .....	875	908	1,008
Education .....	460	393	421
Human health and social work .....	12	8	9
Arts, recreation and other services .....	85	86	93
<b>Total</b> .....	<b>81,112</b>	<b>88,095</b>	<b>95,145</b>

Source: SCAD

Notes:

Figures may not sum up to total due to rounding.

(1) Preliminary data.

(2) Includes real estate sales to non-residents.

In 2016, the sectors with the largest stock of FDI were real estate at 25.2%, manufacturing at 20.2% and financial institutions and insurance at 15.4%.

### **Free Zones**

There are many incentives for foreign corporate entities to set up in one of the free zones in the Emirate of Abu Dhabi. Foreign corporate entities can freely operate in the free zones and free zone entities can be 100% foreign-owned, unlike entities registered elsewhere in the United Arab Emirates which are required to have various degrees of local participation. Free zone entities are exempt from paying corporate tax and individuals are exempt from paying income tax. In addition, 100% of capital and profits can be repatriated and there are no import and export taxes.

ZonesCorp, the Government of the Emirate of Abu Dhabi-backed entity that creates, operates and manages free zones, was established in 2004. ZonesCorp offers a broad selection of readily available industrial land in several prime locations with fast and efficient connections to transportation networks and uninterrupted supply of utilities delivered at globally competitive prices. Other services offered by ZonesCorp include the fast tracking of government approvals and licenses, the fast issuance or renewal of visas and work permits and affordable and convenient labor accommodation. ZonesCorp has been establishing and developing industrial cities with a view to attracting multinational and national operations and investors. ZonesCorp provides infrastructure and services that offer investors a business-friendly environment with a view to attracting and promoting industries that are knowledge, energy and capital intensive in nature. The principal free zones managed by ZonesCorp are the Industrial City of Abu Dhabi (“**ICAD**”) and an industrial city in the city of Al Ain, each as briefly described below. In addition, one other free zone has been established at Masdar City, the Abu Dhabi Global Market is a financial free zone and an industrial zone is located at Khalifa Port.

#### *Industrial City of Abu Dhabi*

ICAD is located at the outskirts of the city of Abu Dhabi. ICAD is being established in a number of phases.

Key sectors positioning themselves in ICAD include engineering and metals, chemical and plastic, oil and gas services, construction materials and high tech industries. ICAD facilities include hotels, a cultural center, banks, shopping malls, health centers and a residential area for factory workers.

#### *Al Ain Industrial City*

Al Ain industrial city is conveniently located close to the city of Al Ain and strategically located midway between the cities of Abu Dhabi and Dubai. Al Ain industrial city caters to light manufacturing industries such as paper and wood, textiles, small scale service and repair workshops. Al Ain industrial city also caters to heavy industries such as chemical and plastic projects. Future expansion plans also include new components such as retail and leisure facilities.

#### *Masdar City*

Masdar City is a free zone and investment zone that offers its tenants an attractive package of incentives, including permission for 100% foreign ownership, 100% exemption from corporate and personal income taxes and 0% import tariffs. Masdar City is currently home to over 400 companies and, as part of its expansion plan, aims to grow its tenant base nearly four-fold by 2020, and to expand the net leasable area available within the free zone by around a third every year within the same time frame.

## Abu Dhabi Global Market

The Abu Dhabi Global Market was established pursuant to Abu Dhabi Law No. (4) of 2013 as a financial free zone in the Emirate of Abu Dhabi, with its own civil and commercial laws.

## Khalifa Industrial Zone

The Khalifa Industrial Zone Abu Dhabi (“KIZAD”) is a trade, logistics and industrial hub which is fully integrated with Khalifa Port. KIZAD offers free zone and non-free zone solutions for land leasing, pre-built warehouses and free zone offices.

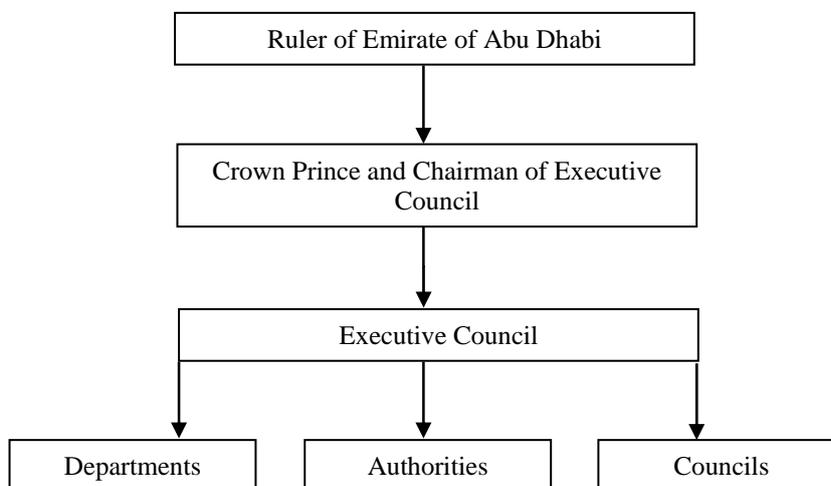
## Government of the Emirate of Abu Dhabi

Executive authority in the Emirate of Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Executive Council, which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises eighteen members.

The Supreme Petroleum Council was established by Law No. (1) of 1988. In accordance with this law, the Supreme Petroleum Council is the highest authority responsible for the petroleum industry in the Emirate of Abu Dhabi and formulates and oversees the Emirate of Abu Dhabi’s policies and objectives in all sectors of the petroleum industry.

Departments, authorities and councils are under the authority of the Executive Council. Some of the key departments, authorities and councils include the Department of Finance, the Department of Economic Development, the Department of Culture and Tourism, the Department of Transport, the Department of Urban Planning and Municipalities, the Department of Health, the Abu Dhabi Investment Authority, the Abu Dhabi Food Control Authority, the Abu Dhabi Investment Council and the Abu Dhabi Council for Economic Development.

The following chart summarizes the structure of the Government of Abu Dhabi.



The Government of the Emirate of Abu Dhabi owns or has significant shareholdings in a number of companies. The most important companies wholly owned by the Government of the Emirate of Abu Dhabi are:

- (a) Mubadala (which comprises both Mubadala Development Company and International Petroleum Investment Company following the issuance of a law by the Ruler formalizing the merger of both companies in January 2017 and is the Emirate of Abu Dhabi’s investment fund);
- (b) ADNOC (which manages all aspects of the Emirate of Abu Dhabi’s oil and gas industry);
- (c) Tourism Development & Investment Company (“TDIC”) (the master developer of major tourism cultural and residential destinations in the Emirate of Abu Dhabi);
- (d) 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);

- (e) Etihad Airways (the national airline of the United Arab Emirates); and
- (f) Abu Dhabi Investment Authority and Abu Dhabi Investment Council (which are responsible for investing part of the Government of the Emirate of Abu Dhabi's surplus financial resources).

### *Emirate of Abu Dhabi's Economic Strategy*

The Government of the Emirate of Abu Dhabi's development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the "**Policy Agenda**") and the Abu Dhabi Economic Vision 2030 (the "**2030 Economic Vision**"). Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a road map for developing the Government's strategy for economic development over the period to 2030.

The Policy Agenda establishes broad, long-term policy goals to drive economic, social and geopolitical/governance change in the Emirate of Abu Dhabi. The pillars of the Policy Agenda are economic development, social and human resources development, infrastructure development and environment sustainability and optimization of the operations of the Government of the Emirate of Abu Dhabi.

The Emirate of Abu Dhabi's long-term economic development strategy (as articulated in the 2030 Economic Vision) envisages a process of diversification away from reliance on crude oil exports and includes substantial new investments in both the oil and gas industry and a range of other industries and sectors listed in the 2030 Economic Vision.

The principal vehicles for implementing the Policy Agenda and the 2030 Economic Vision are the Government of the Emirate of Abu Dhabi's wholly owned companies including, in particular Mubadala and TDIC. These companies are making significant investments, including in international oil and gas assets, the aluminum and steel industries, the aerospace industry, alternative energy development, the development of healthcare and education facilities, logistics, financial and other services and information, communications and technology.

### *International Relations*

The foreign policy of the United Arab Emirates is based on a set of guiding principles, laid down by the country's first President, H.H. Sheikh Zayed bin Sultan Al Nahyan.

The United Arab Emirates participates in a number of multilateral aid-giving institutions, including the International Bank for Reconstruction and Development, the International Development Association, the IMF and regional bodies such as the OPEC Fund for International Development, the Arab Bank for Economic Development in Africa, the Arab Gulf Program for Development, the Arab Monetary Fund and the Islamic Development Bank. In addition, the United Arab Emirates is a member of various other international organizations, including, the GCC, the Arab League, OPEC, the Organization of Arab Petroleum Exporting Countries, the Gas Exporting Countries Forum, the Organisation of Islamic Cooperation, the United Nations, the World Health Organization and the World Trade Organization.

The United Arab Emirates has an ongoing dispute with the Islamic Republic of Iran. Since 1971, the three Arabian Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by the Islamic Republic of Iran. The United Arab Emirates is claiming sovereignty over them and is seeking to resolve the dispute through negotiation.

The United Arab Emirates has ongoing discussions with the Kingdom of Saudi Arabia over border issues. It is seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with the Kingdom of Saudi Arabia on the border between the two countries, which the United Arab Emirates believes should be substantially amended.

In addition, the United Arab Emirates is involved in discussions with the governments of the Kingdom of Saudi Arabia and the State of Qatar relating to a maritime corridor which the State of Qatar has purported to grant to the Kingdom of Saudi Arabia, from within the State of Qatar's own maritime waters, which crosses part of the route of the gas pipeline between the United Arab Emirates and the State of Qatar constructed by Dolphin. The United Arab Emirates believes that this grant is in breach of pre-existing agreements between the United Arab Emirates and the State of Qatar. The United Arab Emirates is also a member of a military coalition formed in December 2015 to combat Islamic extremism and, in particular, the group known as Islamic State.

## CERTAIN TAX CONSIDERATIONS

### Certain United States Federal Income Tax Consequences

The following is a summary of certain United States federal income tax consequences of the acquisition, ownership and disposition of the Bonds by a holder that acquires Bonds for cash at their original issue price (*i.e.*, the first price at which a substantial amount of the Bonds is sold for cash to purchasers, not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) pursuant to this offer. The summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), the tax regulations issued by the IRS (the “Treasury Regulations”), judicial decisions, published positions of the IRS and other applicable authorities, all as in effect as at the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The discussion does not address all of the tax consequences that may be relevant to a particular person or to persons subject to special treatment under United States federal income tax law such as a bank or other financial institution; an entity or arrangement that is treated as a partnership for United States federal income tax purposes; a tax-exempt entity; an insurance company; a regulated investment company; a dealer in securities or currencies or a person that will hold Bonds as a hedge against currency risk or as part of a straddle, synthetic security, conversion transaction or other integrated investment comprised of Bonds and one or more other investments. Moreover, the discussion does not address any tax consequences other than certain United States federal income tax consequences. This summary deals only with persons whose functional currency is the U.S. dollar and who hold the Bonds as capital assets within the meaning of the Code (generally, property held for investment). No IRS ruling has been or will be sought regarding any matter discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of those set forth below. **Holders should consult their tax advisers as to the particular United States federal tax consequences to them of acquiring, owning and disposing of the Bonds, as well as the effect of state, local, and non-United States tax laws.**

For the purposes of this discussion a “United States Holder” means a beneficial owner of a Bond that is, for United States federal income tax purposes:

- (a) a citizen or individual resident of the United States;
- (b) a corporation (or other entity taxable as a corporation) created or organized in the United States or under the laws of the United States, any state thereof, or the District of Columbia;
- (c) an estate the income of which is subject to United States federal income taxation regardless of its source; or
- (d) a trust if:
  - (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust; or
  - (ii) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

If a partnership (including any entity or arrangement treated as a partnership or other pass-through entity for United States federal income tax purposes) is a holder of a Bond, the United States federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of such partnership. Partners and partnerships should consult their tax advisers as to the particular United States federal income tax consequences applicable to them.

Finally, this summary does not describe the effect of the United States federal estate or gift tax laws, the Medicare tax on certain investment income or the effect of any applicable foreign, state or local laws. This discussion is for general information only and is not intended as legal or tax advice to any particular Holder. This summary does not provide a complete analysis or listing of all potential tax considerations. Each prospective Holder should consult its tax adviser regarding the particular tax consequences to it of purchasing, holding and disposing of the Bonds.

### *United States Holders*

#### *Interest on the Bonds*

It is anticipated, and this discussion assumes, that the Bonds will be issued with less than a *de minimis* amount of original issue discount for United States federal income tax purposes. Accordingly, payments of stated interest on the

Bonds will be taxable to a United States Holder as ordinary interest income at the time such holder receives or accrues such amounts in accordance with its regular method of accounting for United States federal income tax purposes.

Should any United Arab Emirates tax be withheld, the amount withheld and the gross amount of any Additional Amounts paid to a United States Holder will be included in such holder's income at the time such amount is received or accrued in accordance with such holder's regular method of accounting for United States federal income tax purposes. If the United Arab Emirates withholding tax is treated as paid on behalf of the United States Holder, such tax would, subject to limitations and conditions, be treated as a foreign income tax eligible for credit against such holder's United States federal income tax liability or, at such holder's election, eligible for deductions in computing taxable income. Interest on the Bonds will be treated as foreign source income. For the purpose of computing a United States Holder's foreign tax credit allowable under United States federal income tax law, interest income on a Bond generally will constitute "passive category income" or, in the case of certain United States Holders, "general category income". United States Holders should consult their tax advisers regarding the creditability or deductibility of any withholding taxes for United States federal income tax purposes.

In certain circumstances, we may be obligated to make payments on the Bonds in excess of stated principal and interest. See "*Description of the Bonds—Redemption Provisions—Redemption at Our Option*". We intend to take the position that the possibility of these additional payments will not cause the Bonds to be treated as contingent payment debt instruments under the applicable Treasury Regulations. Assuming such position is respected, a United States Holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such United States Holder's regular method of accounting for United States federal income tax purposes. If the IRS successfully challenged this position, and the Bonds were treated as contingent payment debt instruments, United States Holders, including those that use the cash method of accounting for United States federal income tax purposes, could be required to accrue interest income at a rate higher than the stated interest rate on the Bond and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange or redemption of a Bond.

United States Holders are urged to consult their tax advisers regarding the potential application to the Bonds of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the Bonds are not treated as contingent payment debt instruments.

#### *Sale, Exchange or Other Disposition of the Bonds*

Upon the sale, exchange or other taxable disposition of a Bond, a United States Holder generally will recognize capital gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition and the United States Holder's adjusted tax basis in the Bond. A United States Holder's adjusted tax basis in the Bond generally will equal its cost of the Bond decreased by any principal payments previously received. To the extent that amounts received include accrued but unpaid interest that the United States Holder has not yet included in income, such interest will not be taken into account in determining gain or loss, but will instead be taxable as ordinary interest income, in the manner described under "*—Interest on the Bonds*".

Gain or loss on the sale, exchange or other taxable disposition will be long-term capital gain or loss if the United States Holder's holding period with respect to the Bond disposed of is more than one year at such time. Long-term capital gain realized by a non-corporate United States Holder generally is eligible for a reduced rate of taxation. Any such gain or loss generally would be United States source for the purposes of computing a United States Holder's foreign tax credit limitation. The deductibility of capital losses is subject to limitations.

#### *Information Reporting and Backup Withholding*

In general, payments of interest or principal and the proceeds from sales of Bonds held by a United States Holder will be required to be reported to the IRS unless the United States Holder is a corporation or other exempt recipient and when required, demonstrates this fact. In addition, a United States Holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a United States Holder's United States federal income tax liability and may entitle the holder to a refund, *provided that* the appropriate information is timely furnished to the IRS.

#### *Information with Respect to Foreign Financial Assets*

Certain United States Holders of "specified foreign financial assets" may be required to report information

relating to an interest in the Bonds with their U.S. federal income tax returns, subject to certain exceptions (including an exception for Bonds held in accounts maintained by certain financial institutions). United States Holders are urged to consult their tax advisers regarding their information reporting obligations, if any, with respect to their purchase, ownership and disposition of the Bonds.

**PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR TAX ADVISERS CONCERNING THE APPLICATION TO THEIR PARTICULAR CIRCUMSTANCES OF THE UNITED STATES FEDERAL INCOME TAX LAWS, AS WELL AS ANY INCOME TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE OR LOCAL TAXING JURISDICTION WITHIN THE UNITED STATES OR ANY OTHER NON-UNITED STATES TAXING JURISDICTION PRIOR TO MAKING AN INVESTMENT IN THE BONDS.**

#### **United Arab Emirates Taxation**

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 local and foreign companies active in the hydrocarbon industry (other than companies wholly owned by the state), some related service industries and branches of foreign banks operating in the United Arab Emirates. 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 United Arab Emirates, the Emirate of Abu Dhabi or the Emirate of Dubai taxation in respect of payments of principal or interest on the Bonds.

The constitution of the United Arab Emirates specifically reserves to the Government of the United Arab Emirates 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 United Arab Emirates has entered into double taxation arrangements with a number of countries, but these are not extensive in number.

## CERTAIN ERISA CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan, including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”), subject to ERISA, should consider the fiduciary standards of ERISA in the context of the ERISA Plan’s particular circumstances before authorizing an investment in the Bonds. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code (together with ERISA Plans, “**Plans**”), from engaging in certain transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (“**Non-ERISA Arrangements**”) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (“**Similar Laws**”). In addition, any such plan that is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code is subject to the prohibited transaction rules set forth in Section 503 of the Code.

The acquisition or holding of the Bonds by a Plan with respect to which we or a dealer or certain of our or its affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Bonds are acquired and held pursuant to and in accordance with an applicable exemption. Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities where neither the issuer nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and the Plan pays no more and receives no less than “adequate consideration” in connection with the transaction. The U.S. Department of Labor has also issued five prohibited transaction class exemptions, or “**PTCEs**”, that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Bonds. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Bonds.

Any purchaser or transferee (and if the purchaser or transferee is a Plan of Non-ERISA Arrangement, its fiduciary or trustee) of Bonds (or any interest therein) will be deemed to have represented and warranted by its acquisition and holding of the Bonds (or any interest therein) that either (1) it is not a Plan and is not acquiring or holding the Bonds (or any interest therein) on behalf of or with “plan assets” of any Plan, and it is not a Non-ERISA Arrangement subject to Similar Law, or (2) its acquisition and holding of Bonds (or any interest therein) will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of a Non-ERISA Arrangement, will not constitute or result in a violation of the provisions of any Similar Law.

As described in this Offering Memorandum, the Issuer, the Initial Purchasers, and other parties may receive fees or other compensation as a result of a Plan’s acquisition of the Bonds. None of the Issuer, the Initial Purchasers, or any of their respective affiliates, agents or employees (the “**Transaction Parties**”) is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any of the Bonds by any Plan. In addition to the foregoing representations and warranties, by its acquisition of Bonds, each purchaser and

transferee of Bonds that is a Plan, including any fiduciary purchasing Bonds on behalf of a Plan (“**Plan Fiduciary**”) is also deemed to represent and warrant that:

1. the Transaction Parties have not provided and will not provide advice with respect to the acquisition of the Bonds by the Plan, other than to the Plan Fiduciary which is independent of the Transaction Parties, and the Plan Fiduciary either:
  - (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the “**Advisers Act**”), or similar institution that is regulated and supervised and subject to periodic examination by a State or Federal agency;
  - (b) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan;
  - (c) is an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business;
  - (d) is a broker-dealer registered under the U.S. Exchange Act; or
  - (e) has, and at all times that the Plan is invested in the Bonds will have, under its management or control, total assets of at least U.S. \$50 million (*provided that* this clause (e) shall not be satisfied if the Plan Fiduciary is an individual directing his or her own individual retirement account or plan account or relative of such individual);
2. the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the Plan of the Bonds;
3. the Plan Fiduciary is a “fiduciary” with respect to the Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the Plan’s acquisition of the Bonds;
4. none of the Transaction Parties has exercised any authority to cause the Plan to invest in the Bonds or to negotiate the terms of the Plan’s investment in the Bonds; and
5. the Plan Fiduciary has been informed by the Transaction Parties:
  - (a) that none of the Transaction Parties are undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the Plan’s acquisition of the Bonds; and
  - (b) of the existence and nature of the Transaction Parties financial interests in the Plan’s acquisition of the Bonds.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Bonds on behalf of or with “plan assets” of any Plan or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any acquisition or holding of Bonds under Similar Laws, as applicable.

Each purchaser and transferee (and if such purchaser or transferee is a Plan or Non-ERISA Arrangement, its fiduciary or trustee) of the Bonds has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Bonds does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of any Bonds to any Plan or Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement, or that such an investment is appropriate for Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

## PLAN OF DISTRIBUTION

We will enter into an agreement with the Initial Purchasers (the “**Purchase Agreement**”), under the terms and conditions of which we have agreed to sell to the Initial Purchasers, and, subject to certain conditions contained therein, the Initial Purchasers have agreed to purchase, the entire principal amount of the Bonds. The Initial Purchasers are Citigroup Global Markets Limited, HSBC Bank plc, DBS Bank Ltd., First Abu Dhabi Bank PJSC and SMBC Nikko Capital Markets Limited. The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Bonds from us, are several and not joint. If an Initial Purchaser defaults, the Purchase Agreement provides that the commitments of the non-defaulting Initial Purchasers may be increased or the Purchase Agreement may be terminated.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Bonds, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer’s certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Bonds sold by the Initial Purchasers outside the United States to non-U.S. Persons in accordance with Regulation S and Bonds sold by the Initial Purchasers inside the United States through their respective selling agents to QIBs in reliance on Rule 144A will initially be offered at the initial offering price set forth on the cover page of this Offering Memorandum (the “**Bond Offering Price**”). If all the Bonds are not sold at the Bond Offering Price, the Initial Purchasers may change the offering price and other selling terms.

Persons who purchase Bonds from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Bond Offering Price.

The Bonds are a new issue of securities, and there is currently no established trading market for the Bonds. In addition, the Bonds are subject to certain restrictions on resale and transfer as described under “*Transfer Restrictions*”. Although application has been made through our listing agent to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST, we can provide no assurance that the Bonds will be approved for listing and quotation or that such listing and quotation will be maintained.

We have been advised by the Initial Purchasers, that:

- (a) the Initial Purchasers propose to resell the Rule 144A Bonds only to QIBs in the United States in reliance on Rule 144A; and
- (b) the Initial Purchasers propose to resell the Regulation S Bonds outside the United States in offshore transactions to non-U.S. Persons in compliance with Regulation S and in accordance with applicable law.

The offering price for the Bonds and the underwriting discount are the same for the Regulation S Bonds and the Rule 144A Bonds. Any offer or sale of the Bonds in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Terms used above have the meanings given to them by Regulation S and Rule 144A. In addition, with respect to the Bonds initially sold pursuant to Regulation S, until the expiration of 40 days after the commencement of the distribution of the offering, an offer or sale of the Bonds within the United States by a dealer (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than pursuant to Rule 144A. Resales of the Bonds are restricted as described under “*Transfer Restrictions*”.

Each Initial Purchaser offering Bonds has acknowledged and agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Bonds:

- (a) as part of its distribution at any time; or
- (b) otherwise until 40 days after the latest of the commencement of the offering of the Bonds and the original issue date of the Bonds, if within the United States or to, or for the account or benefit of, U.S. Persons, and that it will send to each dealer to which it sells Bonds during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds in the United States or to, or for the account or benefit of, U.S. Persons.

In addition, until the expiration of the 40-day period referred to above, an offer or sale of such Bonds within the United States by a dealer that is not participating in the offering of the Bonds may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Initial Purchasers have advised us that they intend to make a market in the Bonds as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Bonds, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by applicable law. Accordingly, we cannot assure you that any market for the Bonds will develop, that it will be liquid if it does develop, or that you will be able to sell any Bonds at a particular time or at a price which will be favorable to you. See *“Risk Factors—Risks Relating to the Bonds—There can be no assurance that an active market for the Bonds will develop or be maintained”*.

In connection with the offering of the Bonds, the Stabilizing Manager may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offering of the Bonds is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of the allotment of the Bonds, whichever is earlier. Any stabilization action over-allotment will be conducted by the Stabilizing Manager in accordance with all applicable laws, regulations and rules.

Delivery of the Bonds will be made against payment on the Bonds on or about December 7, 2017, which will be the sixth business day following the date of pricing of the Bonds (such settlement being referred to as **“T+6”**). Under Rule 15(c)6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Bonds on the date of pricing or the next succeeding six business days will be required, by virtue of the fact that the Bonds initially will settle in T+6, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Bonds who wish to trade the Bonds on the date of pricing or the next succeeding two business days should consult their own advisers.

The Bonds have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States to, or for the account or benefit of, a U.S. Person except to a QIB in reliance on Rule 144A. In addition, each purchaser of the Bonds taking delivery in the form of an interest in a Rule 144A Bond will be deemed to represent and warrant that it and each of the accounts, if any, for which it is purchasing an interest in such Rule 144A Bond is a QIB and is not:

- (a) a dealer of the type described in paragraph (a)(1)(ii) of Rule 144A unless it owns and invests on a discretionary basis not less than US\$25,000,000 in securities of issuers that are not affiliated to it;
- (b) a participant-directed employee plan, such as a 401(k) plan, or any other type of plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; or
- (c) formed for the purpose of investing in the Issuer.

Each Initial Purchaser has represented and agreed that it will not offer, sell or deliver any of the Bonds in any jurisdiction outside the United States except under circumstances that will result in compliance with the applicable laws thereof, and that no action has been taken to permit a public offering in any jurisdiction outside the United States where action would be required for such purpose.

The Initial Purchasers and/or their respective affiliates and parent companies are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and/or their respective affiliates and parent companies have in the past, and may in the future, perform commercial banking, investment banking and advisory services for us from time to time for which they have received, or may receive in the future, customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. FAB is an affiliate of the Issuer and an Initial Purchaser. In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates and parent companies may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative

securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates and parent companies may prepare and distribute independent research reports, including market reports, relating to the Issuer and/or its affiliates.

## **Selling Restrictions**

### **United States**

The Bonds have not been and will not be registered under the Securities Act nor any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered, sold and issued:

- (a) only to QIBs in the United States in reliance on Rule 144A; and
- (b) outside the United States in offshore transactions to non-U.S. Persons in compliance with Regulation S and in accordance with applicable law.

Each Initial Purchaser has represented, warranted and agreed that it has not offered or sold and that it will not offer or sell, any Bonds constituting part of its allotment within the United States. Accordingly, neither it, its affiliates, nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to any Bonds. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any Initial Purchaser (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

### **United Kingdom**

Each Initial Purchaser has represented, warranted and agreed that:

- (a) 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 Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

### **European Economic Area**

In relation to each Relevant Member State, no Initial Purchaser, with effect from and including the Relevant Implementation Date, has made or will make an offer of the Bonds to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, the Initial Purchasers may make an offer of Bonds to the public in that Relevant Member State:

- (a) to any legal entity that it is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided that* no such offer of the Bonds to the public shall result in a requirement for the publication by the Issuer or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of the Bonds to the public” in relation to any Bonds 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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the

Bonds, as the same may be varied in such Relevant Member State by any measure implementing the Prospectus Directive in such Relevant Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC as amended by the Directive 2010/73/EC and includes any relevant implementing measure in each Relevant Member State.

### **Kingdom of Bahrain**

Each Initial Purchaser has represented, warranted and agreed that it has not offered and will not offer any Bonds to the Public (as defined in articles 142-146 of the commercial companies law (decree Law No. 21/2001) of the Kingdom of Bahrain) in the Kingdom of Bahrain.

### **Dubai International Financial Centre**

Each Initial Purchaser has represented, warranted and agreed that it has not offered and will not offer the Bonds 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 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.

### **Abu Dhabi Global Market**

Each Initial Purchaser has represented, warranted and agreed that it has not offered and will not offer the Bonds to any person in the Abu Dhabi Global Market unless such offer is:

- (a) an “Exempt Offer” in accordance with the Market Rules (MKT) issued by the FSRA; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4 of the FSRA Conduct of Business Rulebook.

### **United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)**

Each Initial Purchaser has represented, warranted and agreed that the Bonds have not been and will not be offered, sold or delivered at any time, directly or indirectly, other than in accordance with the terms of any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities, including, but not limited to, the Chairman of the SCA Board of Directors Decision No. (3 R/M) of 2017.

### **Hong Kong**

Each Initial Purchaser has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than:
  - (i) to “professional investors” within the meaning of 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 and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**Ordinance**”) or which do not constitute an offer to the public within the meaning of the Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Bonds 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.

## Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the “**FIEA**”). Each Initial Purchaser has represented, warranted and agreed that it has not offered or sold and will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## The Netherlands

The Bonds shall not be offered, sold, transferred or delivered to the public in the Netherlands, unless in reliance on Article 3(2) of the Prospectus Directive (2003/71/EC), as amended, and *provided that*:

- (a) such offer is made exclusively to persons or legal entities which are qualified investors (within the meaning of the Prospectus Directive) in the Netherlands;
- (b) standard logo and exemption wording are incorporated in offer documents, advertisements and documents in which the offer is announced, as required by article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the “**Dutch FSA**”); or
- (c) such offer is otherwise made in circumstances in which article 5:20(5) of the Dutch FSA is not applicable.

For the purposes of the abovementioned paragraphs, the expression an “**offer of Bonds to the public**” in relation to any Bonds in the Netherlands means the announcement or communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

## Singapore

This Offering Memorandum has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore, and the Bonds will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”). Accordingly, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any persons in Singapore other than:

- (a) to an institutional investor pursuant to Section 274 of the SFA;
- (b) to a relevant 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
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased in reliance on an exemption under Section 274 or 275 of the SFA, the Bonds shall not be sold within the period of six months from the date of the initial acquisition of the Bonds, except to any of the following persons:

- (a) an institutional investor (as defined in Section 4A of the SFA);
- (b) a relevant person (as defined in Section 275(2) of the SFA); or
- (c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (the “**SFR**”).

Where the Bonds 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 transferable within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
  - (i) to an institutional investor or to a relevant person (as 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;
  - (iv) pursuant to Section 276(7) of the SFA; or
  - (v) pursuant to Regulation 32 of the SFR.

## **Taiwan**

The offer of the Bonds has not been and will not be registered with or approved by the FSC or any other government authorities of the Republic of China (Taiwan) pursuant to relevant securities laws and regulations and may not be offered or sold within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the securities and exchange law of Taiwan that requires a registration with or approval of the FSC.

## **General**

Each Initial Purchaser has represented, warranted and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers any Bonds or possesses or distributes this Offering Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the Initial Purchasers shall have any responsibility therefor.

Neither the Issuer nor any of the Initial Purchasers represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Offering Memorandum or any Bonds may come must inform themselves about, and observe any applicable restrictions on the distribution of, this Offering Memorandum and the offering and sale of Bonds.

## TRANSFER RESTRICTIONS

*Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds. Purchasers of the Bonds represented by an interest in a Regulation S Bond are advised that such interests are not transferable to U.S. Persons at any time except in accordance with the following restrictions.*

The Bonds have not been 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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds may only be offered and sold:

- (a) in the United States to persons who are QIBs; and
- (b) outside the United States to purchasers who are non-U.S. Persons in reliance upon Regulation S.

Each purchaser of any of the Bonds, by accepting the Bonds, acknowledges, represents and agrees with the Initial Purchasers and us as follows:

- (a) The Bonds have not been registered under the Securities Act, or the securities laws of any state of the United States, are “restricted securities” within the meaning of Rule 144 and, unless registered under the Securities Act, may not be offered, sold or otherwise transferred unless in compliance with the registration requirements of the Securities Act or any other applicable securities laws or pursuant to exemptions from registration under the Securities Act and applicable state and other securities laws.
- (b) The purchaser is:
  - (i) a “qualified institutional buyer” as defined in Rule 144A who is aware that the sale to it is being made in reliance on Rule 144A and who is acquiring the Bonds for its own account or for the account of a person who is a qualified institutional buyer; or
  - (ii) not a U.S. Person and is acquiring the Bonds in an offshore transaction outside the United States complying with the provisions of Regulation S.
- (c) The purchaser has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of the information contained in this Offering Memorandum or any additional information or in connection with its investment decision. The purchaser acknowledges that neither the Initial Purchasers, nor any person representing the Initial Purchasers, has made any representation to it with respect to either us or the offering of the Bonds. The Initial Purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason. The purchaser had access to such financial and other information concerning us, the Sponsors, the Local Shareholder, the International Shareholder, ADWEC and the Bonds as such purchaser has deemed necessary in connection with his/her decision to purchase any of the Bonds, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.
- (d) The purchaser is purchasing the Bonds for its own account, or for one or more investor accounts for which it is acting as fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act.
- (e) Each purchaser of any Bonds understands that the Bonds are being offered only in a transaction not involving any public offering within the meaning of the Securities Act and that unless otherwise agreed by us, (1) if it should offer, resell, pledge or otherwise transfer the Bonds, the Bonds may be offered, resold, pledged or transferred, only: (A) to us; (B) for so long as the securities are eligible for resale pursuant to Rule 144A, within the United States to a person whom the seller reasonably believes is a QIB and to whom notice is given that the offer, resale, pledge or transfer is being made in reliance on Rule 144A; (C) outside the United States pursuant to offers and sales to purchasers who are non-U.S. Persons in an offshore transaction meeting the requirements of Regulation S; (D) pursuant to another available exemption from registration under the Securities Act; or (E) pursuant to a registration statement that has been declared effective under the Securities Act subject to our and the Bond Trustee’s, Registrar’s or Transfer Agent’s right prior to any such reoffer, sale or transfer (i) in the case of paragraph (d), to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them, and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form set forth in the Indenture is completed and delivered by the transferor to the trustee and (2) each subsequent purchaser of the Bonds is required to notify any purchaser of any Bonds of the resale restrictions referred to in (i) above and to deliver to the transferee (other than a transferee who is a QIB) prior to sale a copy

of the Transfer Restrictions hereinafter set forth (copies of which may be obtained from the Bond Trustee). The purchaser understands that transfers of the Bonds will be registered only if the Bonds are transferred in accordance with such transfer restrictions.

- (f) Each purchaser of any Bonds understands that such Bonds, unless otherwise agreed by us in compliance with applicable law, will bear a legend to the following effect:

**THIS BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS BOND NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.**

**THE HOLDER OF THIS BOND BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS BOND IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO, PRIOR TO (X) THE DATE WHICH IS, IN THE CASE OF RULE 144A BONDS, ONE YEAR AND IN THE CASE OF REGULATION S BONDS, FORTY (40) CALENDAR DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS BOND) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WERE THE OWNERS OF THIS BOND (OR ANY PREDECESSOR OF THIS BOND) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, OFFER, SELL OR OTHERWISE TRANSFER THIS BOND EXCEPT (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE BONDS ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE BOND TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) AND (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS BOND IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE BOND TRUSTEE AND (4) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.**

Each Bond issued with original issue discount shall bear an additional legend in substantially the following form:

**THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS BOND WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE AMOUNT OF OID IS \_\_\_\_\_, THE ISSUE PRICE IS \_\_\_\_\_, THE ISSUE DATE IS \_\_\_\_\_, AND THE YIELD TO MATURITY IS \_\_\_\_\_.**

- (g) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the 40-day distribution compliance period within the meaning of

Rule 903 of Regulation S, any offer or sale of the Bonds will not be made by it to a U.S. Person or for the account or benefit of a U.S. Person within the meaning of Rule 902(k) of the Securities Act.

- (h) The purchaser acknowledges that either: (i) no assets of a Plan or a non-U.S., governmental or church plan that is subject to Similar Law have been used to acquire the Bonds or an interest therein; or (ii) the acquisition and holding of the Bonds or an interest therein by it do not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or violation of Similar Law. See “*Certain ERISA Considerations*”.
- (i) The purchaser acknowledges that the foregoing restrictions apply to holders of beneficial interests in the Bonds, as well as Bondholders.
- (j) The purchaser acknowledges that neither the Bond Trustee, nor the Registrar, nor the Transfer Agent will be required to accept for registration of transfer any Bonds acquired by the purchaser, except upon presentation of evidence satisfactory to us and the Bond Trustee that the restrictions set forth herein have been complied with.
- (k) The purchaser acknowledges that we, the Bond Trustee, the Registrar, the Transfer Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the Bonds are no longer accurate, it will promptly notify us, the Bond Trustee, the Registrar, the Transfer Agent and the Initial Purchasers. If it is acquiring the Bonds as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and it has full power to make the foregoing acknowledgments, representation and agreements on behalf of each of those accounts.

Further, by acquiring the Bonds, each purchaser will be deemed to have further represented and agreed as follows:

- (a) You and each account for which you are purchasing:
  - (i) are not a broker-dealer that owns and invests on a discretionary basis less than US\$25 million in securities of unaffiliated issuers;
  - (ii) are not a participant-directed employee plan, such as a 401(k) plan, as referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan; and
  - (iii) will hold and transfer at least the minimum denomination of Bonds and will not sell participation interests in any Bonds.
- (b) You were not formed for the purpose of investing in us except where the beneficial owners of the purchaser are QIBs.
- (c) You acknowledge that we may receive a list of participants holding positions in the Bonds from one or more book-entry depositaries.
- (d) You will not transfer the Bonds or beneficial interests therein except to a transferee who meets the requirements described in “*Notice to U.S. Investors*” and agree not to subsequently transfer the Bonds or any beneficial interest therein except in accordance with the transfer restrictions described in “*Transfer Restrictions*”.
- (e) You are not investing and will not invest 40% or more of your total assets in the Bonds.
- (f) Your shareholders, partners or other holders of equity or beneficial interests are not able to decide individually whether or not to participate, or to determine the extent of their participation, in your investment in us, and you are not a defined contribution or other similar benefit plan that allows participants to determine whether or how much will be invested in investments on their behalf.
- (g) The certificates evidencing the Bonds will bear a legend as described in “*Transfer Restrictions*”, unless we determine otherwise in compliance with applicable law.
- (h) You understand and acknowledge that this Offering Memorandum is personal to you and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds offered hereby.

- (i) You are not purchasing the Bonds with a view to any public resale or distribution thereof.
- (j) You are aware that in connection with the purchase of the Bonds:
  - (i) neither we nor the Initial Purchasers are acting as a fiduciary or financial or investment adviser for you;
  - (ii) you are not relying (for the purposes of making any investment decision or otherwise) upon any of our advice, counsel or representations (whether written or oral) or that of the Initial Purchasers other than, in our case, in a current offering memorandum for such Bonds; and
  - (iii) neither we nor the Initial Purchasers have given to you (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit including legal, regulatory, tax, business, investment, financial, accounting and other advisers to the extent you have deemed necessary, and you made your own investment decisions based upon your own judgment and upon any advice from such advisers as you deemed necessary and not upon any view expressed by us or any Initial Purchaser.
- (k) You have the legal power, authority and right to purchase the Bonds offered hereby.
- (l) You understand that an investment in the Bonds involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. You have had access to such financial and other information concerning us and the Bonds as you deemed necessary or appropriate in order to make an informed investment decision with respect to your purchase of the Bonds. You have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investing in and holding the Bonds.
- (m) You understand that there is no market for the Bonds and there is no assurance that such a market will develop. The Initial Purchasers are not under any obligation to make a market for the Bonds and, to the extent that such market making is commenced by the Initial Purchasers, it may be discontinued at any time, and there is no assurance that a secondary trading market for the Bonds will develop and the purchaser must be able to bear the risks of holding the Bonds until their maturity.
- (n) You understand that the Bonds have not been approved or disapproved by the SEC, or any other regulatory authority, nor have they passed upon the adequacy or accuracy of this Offering Memorandum.
- (o) You are aware that we, the Registrar (in the event that Definitive Bonds are issued), the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If you are acquiring any Bonds for the account of one or more persons each of whom is also a U.S. Person who is a QIB, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- (p) You understand that any sale or transfer of the Bonds (or beneficial interests therein) to a person that does not comply with the requirements set forth in paragraphs (a) through (o) above will be null and void *ab initio* and not honored by us.

## Legends

Unless we determine otherwise in accordance with applicable law, we will not remove the legend described in “*Transfer Restrictions*” from the Bonds.

## LISTING AND GENERAL INFORMATION

### Listing

Application has been made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer or any of its associated companies (if any) or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of SGD 200,000 (or its equivalent in foreign currencies).

WongPartnership LLP is acting solely in its capacity as listing agent for us in relation to the Bonds and is not itself seeking the listing and quotation of the Bonds on the SGX-ST.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a global certificate is exchanged for individual certificates, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer will appoint and maintain a Paying Agent in Singapore where the individual certificates may be presented or surrendered for payment or redemption. In addition, in the event that a global certificate is exchanged for individual certificates, an announcement of such exchange will be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual certificates, including details of the Paying Agent in Singapore.

For so long as the Bonds are listed on the SGX-ST, electronic or printed copies of the following documents will be made available at the registered office of the Bond Trustee and at our registered office located at P.O. Box 3020, city of Fujairah, Emirate of Fujairah:

- (a) our organizational documents, including the contract of establishment;
- (b) our most recent audited financial statements;
- (c) the Indenture relating to the Bonds which includes the form of the Bonds;
- (d) the Independent Technical Due Diligence Report;
- (e) the Security Documents; and
- (f) any other material documents relating to the listing.

The issuance of the Bonds offered hereby was authorized by our Board of Directors on October 4, 2017.

Except as disclosed in this Offering Memorandum, we have not been involved in any governmental, legal or arbitration proceedings that may have, or have had during the twelve months preceding the date of this Offering Memorandum, a significant effect on our financial position nor, so far as we are aware, are any such proceedings pending or threatened.

The Bond Trustee and Paying Agent is Citibank, N.A., London Branch and its address is Citigroup Centre, 13th Floor, Canada Square, Canary Wharf, London E14 5LB, United Kingdom. The Bond Trustee will be acting in its capacity of trustee for the Bondholders and will provide such services to the Bondholders as described in the Indenture.

### Clearing Information

The Regulation S Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg with ISIN: XS1720052254 and Common Code: 172005225. The Rule 144A Bonds have been accepted for clearance through the facilities of DTC with ISIN: US29135EAA47, Common Code: 172334431 and CUSIP number: 29135E AA4.

## **INDEPENDENT AUDITORS**

The financial statements of Emirates Sembcorp Water & Power Company PJSC as at December 31, 2016, and for the year then ended, included in this Offering Memorandum, have been audited by KPMG Lower Gulf Limited, independent auditors, as stated in their report appearing herein.

The financial statements of Emirates Sembcorp Water & Power Company PJSC as at December 31, 2015, and for the year then ended, included in this Offering Memorandum, have been audited by KPMG Lower Gulf Limited, independent auditors, as stated in their report appearing herein.

With respect to the unaudited interim condensed financial information for the periods ended September 30, 2017 and 2016, included herein, KPMG Lower Gulf Limited have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included in this Offering Memorandum states that they did not audit, and they do not express an opinion on, such interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

## **LEGAL MATTERS**

Certain legal matters in respect of New York law, English law and United Arab Emirates law will be passed upon for the Issuer by their counsel, White & Case LLP, Abu Dhabi, United Arab Emirates. Certain legal matters in respect of New York law and English law will be passed upon for the Initial Purchasers by their counsel, Shearman & Sterling (London) LLP, London, United Kingdom. Certain legal matters relating to United Arab Emirates law will be passed upon for the Initial Purchasers by Trowers & Hamlins LLP.

## **INDEPENDENT CONSULTANT**

The Independent Technical Due Diligence Report, which is attached as Annex C has been prepared by the Technical Adviser, WSP, at the request of the Issuer and is included herein in reliance upon the authority of such firm as an international consulting firm that provides technical and environmental consulting services to the energy and process industries. The Technical Adviser has no material interest in the Issuer. The Technical Adviser's business address is Ferrybridge Business Park, Ferrybridge, WF11 8NA, United Kingdom.

The Independent Technical Due Diligence Report, as provided in Annex C is included, in the form and context in which it is included with the consent of the Technical Adviser.

The report should be read in its entirety by all prospective purchasers of the Bonds for the information contained therein with respect to us and the related matters discussed therein and any reference to or summary of any such report herein is qualified by reference to such report.

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**Emirates Sembcorp Water  
& Power Company PJSC**

**Condensed interim financial statements**

**30 September 2017**

**Principal business address:**  
P.O. Box 3020  
Ras Qidfa  
Fujairah  
United Arab Emirates

# Emirates Sembcorp Water & Power Company PJSC

## Condensed interim financial statements

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KPMG Lower Gulf Limited  
Level 19, Nation Tower 2  
Abu Dhabi Corniche, UAE  
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## **Independent Auditors' Report on Review of Condensed Interim Financial Information**

To the Shareholders of Emirates Sembcorp Water & Power Company PJSC

### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of Emirates Sembcorp Water & Power Company PJSC as at 30 September 2017, the condensed interim statement of profit or loss and other comprehensive income, changes in equity and cash flows for the nine month period then ended, and notes to the condensed interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2017 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG Lower Gulf Limited

Richard Ackland  
Registration No.: 1015  
Abu Dhabi, United Arab Emirates  
Date: 15 OCT 2017

# Emirates Sembcorp Water & Power Company PJSC

Condensed interim statement of profit or loss and other comprehensive income  
for the nine period ended

		30 September 2017	30 September 2016
	Note	AED'000 (unaudited)	AED'000 (unaudited)
Revenue	5	541,590	543,882
<b>Cost of sales</b>			
Depreciation	8	(148,784)	(150,627)
Operating and maintenance charges		(88,211)	(95,816)
Fuel expenses		(154)	(273)
Insurance		(7,539)	(8,174)
<b>Gross profit</b>		<b>296,902</b>	<b>288,992</b>
Other income		2,808	-
Provision for slow moving and obsolete inventories		(891)	(1,044)
General and administrative expenses	6	(13,543)	(13,723)
<b>Operating profit</b>		<b>285,276</b>	<b>274,225</b>
Finance costs	7	(180,674)	(189,291)
Finance income		977	209
<b>Net finance costs</b>		<b>(179,697)</b>	<b>(189,082)</b>
<b>Profit for the period</b>		<b>105,579</b>	<b>85,143</b>
<b>Other comprehensive income for the period</b>			
Reclassification adjustments for losses included in profit or loss		103,573	122,572
Changes in the fair value of derivative financial instruments		(21,627)	(82,228)
<b>Net comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>81,946</b>	<b>40,344</b>
<b>Total comprehensive income for the period</b>		<b>187,525</b>	<b>125,487</b>

The notes set out on pages 6 to 14 form an integral part of these condensed Interim financial statements.

The independent auditors' report on review of this condensed interim financial information is set out on page 2.

# Emirates Sembcorp Water & Power Company PJSC

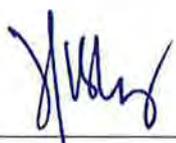
## Condensed interim statement of financial position

as at

		30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
<b>Assets</b>	<i>Note</i>		
Property, plant and equipment		4,353,824	4,500,070
<b>Non-current assets</b>		<b>4,353,824</b>	<b>4,500,070</b>
Inventories	9	162,723	163,654
Amounts due from related parties	15	131,646	127,960
Prepayments and other receivables		9,986	8,344
Cash and cash equivalents	10	193,955	251,260
<b>Current assets</b>		<b>498,310</b>	<b>551,218</b>
<b>Total assets</b>		<b>4,852,134</b>	<b>5,051,288</b>
<b>Equity</b>			
Share capital		403,896	403,896
Statutory reserve		70,743	70,743
Retained earnings		330,671	261,840
Cumulative changes in fair values of derivatives		(299,349)	(381,295)
<b>Total equity</b>		<b>505,961</b>	<b>355,184</b>
<b>Liabilities</b>			
Loans and borrowings	11	3,054,131	3,253,939
Derivatives in effective hedges		243,789	273,997
Loans from shareholders	12	640,385	666,897
Employees' end of service benefits		501	723
Asset retirement obligation	13	61,365	60,382
<b>Non-current liabilities</b>		<b>4,000,171</b>	<b>4,255,938</b>
Loans and borrowings	11	198,844	187,382
Trade payables		24,713	28,643
Accruals and other liabilities	14	97,591	203,793
Amounts due to related parties	15	24,854	20,348
<b>Current liabilities</b>		<b>346,002</b>	<b>440,166</b>
<b>Total liabilities</b>		<b>4,346,173</b>	<b>4,696,104</b>
<b>Total equity and liabilities</b>		<b>4,852,134</b>	<b>5,051,288</b>

These condensed interim financial statements were authorised and approved for issue by the Board of Directors on 15 October 2017, and signed on their behalf by:

  
 \_\_\_\_\_  
 Dr. Majid Husain Al Kathairi  
 Chairman

  
 \_\_\_\_\_  
 Hon Siang Juang  
 Executive Managing Director

The notes set out on pages 6 to 14 form an integral part of these condensed Interim financial statements.

The independent auditors' report on review of this condensed interim financial information is set out on page 2.



## Emirates Sencorp Water & Power Company PJSC

Condensed interim statement of changes in equity  
for the period ended

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Cumulative changes in fair values of derivatives AED'000	Total equity AED'000
<b>As at 1 January 2016 (audited)</b>	403,896	59,102	230,572	(526,017)	167,553
Profit for the period	-	-	85,143	-	85,143
Other comprehensive loss for the period	-	-	-	40,344	40,344
Total comprehensive income for the period	-	-	85,143	40,344	125,487
<b>Transactions with the owners of the Company</b>					
Dividends paid	-	-	(73,500)	-	(73,500)
<b>As at 30 September 2016 (unaudited)</b>	<b>403,896</b>	<b>59,102</b>	<b>242,215</b>	<b>(485,673)</b>	<b>219,540</b>
<b>As at 1 January 2017 (audited)</b>	403,896	70,743	261,840	(381,295)	355,184
Profit for the period	-	-	105,579	-	105,579
Other comprehensive income for the period	-	-	-	81,946	81,946
Total comprehensive income for the period	-	-	105,579	81,946	187,525
<b>Transactions with the owners of the Company</b>					
Dividends paid (note 17)	-	-	(36,748)	-	(36,748)
<b>As at 30 September 2017 (unaudited)</b>	<b>403,896</b>	<b>70,743</b>	<b>330,671</b>	<b>(299,349)</b>	<b>505,961</b>

The notes set out on pages 6 to 14 form an integral part of these condensed Interim financial statements.

The independent auditors' report on review of this condensed interim financial information is set out on page 2.

# Emirates Sembcorp Water & Power Company PJSC

## Condensed interim statement of cash flows

for the nine months period ended

		30 September 2017 AED'000 (unaudited)	30 September 2016 AED'000 (unaudited)
<b>Cash flows from operating activities</b>			
Profit for the period		105,579	85,143
<i>Adjustments for:</i>			
Depreciation	8	148,784	150,627
Accretion expenses	13	2,851	2,818
Finance income		(977)	(209)
Finance costs	7	177,823	186,473
Movement in employees' end of service benefits		(222)	99
Provision for inventory obsolescence	9	891	1,044
		<u>434,729</u>	<u>425,995</u>
<i>Changes in:</i>			
- inventories		40	273
- amounts due from related parties		(3,686)	(5,459)
- prepayments and other receivables		(1,642)	(33,043)
- trade payables		(3,930)	(12,950)
- amounts due to related parties		4,506	168,381
- accrual and other liabilities		(54,464)	(16,907)
		<u>375,553</u>	<u>526,290</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(4,406)	(3,554)
Interest received		977	209
		<u>(3,429)</u>	<u>(3,345)</u>
<b>Cash flows from financing activities</b>			
Repayment of term loan		(188,346)	(356,722)
Repayment of loans from shareholders	12	(26,512)	(86,008)
Dividends paid	17	(36,748)	(73,500)
Interest paid		(177,823)	(186,473)
		<u>(429,429)</u>	<u>(702,703)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(57,305)</u>	<u>(179,758)</u>
Cash and cash equivalents at 1 January		251,260	288,826
<b>Cash and cash equivalents at 30 September</b>	10	<u>193,955</u>	<u>109,068</u>

The notes set out on pages 6 to 14 form an integral part of these condensed Interim financial statements.

The independent auditors' report on review of this condensed interim financial information is set out on page 2.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 1 Legal status and principal activities

Emirates Sembcorp Water & Power Company PJSC (the "Company") is a private joint stock Company registered and incorporated in the United Arab Emirates ("UAE") and is engaged in the generation of electricity and the production of desalinated water. The Company is owned 60% by Union Power Holding Company, a subsidiary of Abu Dhabi National Energy Company PJSC ("TAQA"), which is a subsidiary of Abu Dhabi Water and Electricity Authority ("ADWEA"), and 40% by Sembcorp Gulf Holding Company Limited.

The Company has a management operation and maintenance agreement with Sembcorp Gulf O & M Company Limited ("Sembcorp"), a related party, whereby Sembcorp has undertaken to manage the day-to-day operations and maintain the Company's plant until March 2029. Furthermore, the Company has entered into two agreements; a power and water purchase agreement ("PWPA") and a water purchase agreement ("WPA") with Abu Dhabi Water and Electricity Company ("ADWEC"), a related party, (a wholly-owned subsidiary of ADWEA). Under the PWPA, the Company undertakes to make available, and ADWEC undertakes to purchase, the available net power and water capacity of the plant until March 2029 in accordance with various agreed terms and conditions.

Under the WPA, the Company undertakes to make available, and ADWEC undertakes to purchase, the available net water capacity of the plant until November 2035 in accordance with various agreed terms and conditions.

### 2 Statement of compliance

The condensed interim financial information has been prepared in accordance with IAS 34, "*Interim Financial Reporting*" and complies where appropriate, with relevant Articles of Association and the requirements of the UAE Federal Law No. 2 of 2015. It does not include all the information required for full annual financial information and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Company financial position and performance since the last financial statements.

### 3 Significant accounting policies

The accounting policies applied by the Company in this condensed interim financial information is the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2016.

#### *New and amended International Financial Reporting Standards (IFRS) in issue but not yet effective*

<b>New and revised IFRS</b>	<b>Effective date</b>
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
Sale or contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be determined

# Emirates Sencorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 3 Significant accounting policies *(continued)*

Management anticipates that these amendments will be applied in the financial statements for the initial period when they become effective. Management is currently assessing the potential impact of the application of these amendments.

### 4 Basis of preparation

#### (a) *Basis of measurement*

These condensed interim financial statements have been prepared under the historical cost basis except for derivative financial instruments, which are measured at fair value.

#### (b) *Functional and presentation currency*

These condensed interim financial statements are presented in United Arab Emirates Dirhams ("AED") which is also the Company's functional currency. All amounts have been rounded off to the nearest thousand, unless otherwise indicated.

#### (c) *Use of judgements and estimates*

The preparation of the condensed Interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2016.

### 5 Revenue

	30 September 2017 AED'000 (unaudited)	30 September 2016 AED'000 (unaudited)
Operating lease revenue	523,418	534,173
Energy payments and other related revenue	18,056	9,515
Supplemental fuel revenue	116	194
	<u>541,590</u>	<u>543,882</u>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 6 General and administrative expenses

	30 September 2017 AED'000 (unaudited)	30 September 2016 AED'000 (unaudited)
Staff costs	10,328	9,775
Other general and administrative expenses	3,215	3,948
	<u>13,543</u>	<u>13,723</u>

### 7 Finance costs

	30 September 2017 AED'000 (unaudited)	30 September 2016 AED'000 (unaudited)
Interest expense on interest rate swaps	103,573	122,572
Interest expense on loans and borrowings	74,250	63,901
	<u>177,823</u>	<u>186,473</u>
Accretion expense (note 13)	2,851	2,818
	<u>180,674</u>	<u>189,291</u>

### 8 Property, plant and equipment

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Depreciation charge for the period / year	(148,784)	(200,267)
Acquisition during the period / year	4,406	5,368
Revision to asset retirement obligation estimate (note 13)	(1,868)	(1,187)

# Emirates Sencorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 9 Inventories

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Fuel	113,057	113,097
Spare parts and consumables	63,590	63,590
	<u>176,647</u>	<u>176,687</u>
Provision for slow moving and obsolete inventories	(13,924)	(13,033)
	<u><u>162,723</u></u>	<u><u>163,654</u></u>

The movement in provision for slow moving and obsolete inventories is set out below:

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
At 1 January	13,033	11,848
Additions during the period / year	891	1,185
	<u>13,924</u>	<u>13,033</u>
<b>30 September / 31 December</b>	<u><u>13,924</u></u>	<u><u>13,033</u></u>

### 10 Cash and cash equivalents

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Cash in hand	8	8
Cash at bank		
– current accounts	83,947	179,252
– call deposit accounts	110,000	72,000
	<u>193,955</u>	<u>251,260</u>

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

As at 30 September 2017, an amount of AED 18.4 million (31 December 2016: AED 18.4 million) of unutilised overdraft facility was available to the Company.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 11 Loans and borrowings

	Nominal interest rate %	Maturity	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Current	LIBOR + 0.85%	2018	198,844	187,382
Non-current	LIBOR + 0.85% to 1.2%	2019-2029	3,054,131	3,253,939
			<u>3,252,975</u>	<u>3,441,321</u>

During 2006 the Company obtained loan facilities from a syndicate of banks led by Barclays Capital Bank and Societe Generale to finance the extension of Fujairah power and desalination plant. The term loan carries a commitment fee of 0.28% per annum of the undrawn amount.

The original amount of the term loan facility was USD 1,270 million (*AED 4,667 million*) and any unutilised portion of the facility expired in 2009. The term loan was repayable from February 2010, in accordance with an agreed repayment schedule. The loan is stated net of prepaid finance costs of approximately AED 23,338 thousand (*2016: AED 24,877 thousand*).

The amounts repayable (excluding the effect of transaction costs) are as follows:

	2017 AED'000	2016 AED'000
Within 1 year	199,357	189,885
Between 1 – 2 years	196,200	199,357
Between 2 – 3 years	222,360	196,200
Between 3 – 4 years	254,383	222,360
Between 4 – 5 years	254,834	254,383
After 5 years	2,149,179	2,404,013
	<u>3,276,313</u>	<u>3,466,198</u>

The loans are secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of the Company.

Under the terms of its loan facility agreement, the Company is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates.

The total finance costs relating to loans and borrowings recognised in the income statement, after taking into account the impact of the interest rate swaps, amounted to AED 108.5 million (*2016: AED 115.5 million*).

# Emirates Sencorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 12 Loans from shareholders

Loans from shareholders as at the reporting date, were as follows:

	<b>30 September 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
<b>Loan for reverse osmosis Plant</b>		
Union Power Holding Company	<b>384,231</b>	400,138
Sencorp Gulf Holding Company Limited	<b>256,154</b>	266,759
	<b>640,385</b>	666,897

During 2017 the Board of Directors resolved to repay an amount of AED 26,512 thousand of the existing loans from shareholders (2016: AED 86,008 thousand).

As at 30 September 2017, total amount of AED 640,385 thousand (31 December 2016: AED 666,897 thousand) was still outstanding and was classified as non-current liabilities in the statement of financial position.

The total finance costs relating to loans from shareholder recognised in the condensed statement of profit or loss and other comprehensive income, amounted to AED 15.9 million (2016: AED 14.8 million).

### 13 Asset retirement obligation

As part of the land lease agreement between ADWEA and the Company, the Company has a legal obligation to remove the Fujairah power and desalination plant at the end of its useful life, or earlier if the Company is unable to continue its operations, and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

On initial recognition, the fair value of the asset retirement obligation ("ARO") was calculated using an expected present value technique conducted by an independent appraiser, Parsons Brinckerhoff. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume in the settlement of the obligation.

	<b>30 September 2017 AED'000 (unaudited)</b>	31 December 2016 AED'000 (audited)
As at 1 January	<b>60,382</b>	57,811
Revisions in estimate – asset retirement obligation (note 8)	<b>(1,868)</b>	(1,187)
Accretion expenses (note 7)	<b>2,851</b>	3,758
At the end of the period / year	<b>61,365</b>	60,382

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 14 Accruals and other liabilities

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Derivatives in effective hedges – current portion	55,560	107,298
Accrued interest expense	36,571	92,267
Other	5,460	4,228
	97,591	203,793

### 15 Related party transactions and balances

#### (a) Related party transactions

Related parties comprise the shareholder, other holding companies, associated companies, i.e. other subsidiaries of Abu Dhabi National Energy Company, major shareholders, directors and key managerial personnel of the Company and entities controlled or significantly influenced by such parties. In the ordinary course of business, the Company enters into transactions with such related parties, on pricing, terms and conditions approved by Company's management.

IAS 24, "Related Parties" revised requires government owned entities to disclose transactions with other state / government owned entities. Most infrastructure related entities are owned by the Abu Dhabi government and the Company necessarily enters into transactions with those entities in the normal course of business on an arm's length basis. The Company also transacts with these entities in respect of banking facilities, electricity and telephone services.

The related party transactions, outstanding balances and related income and expenses for the period / year were as follows:

	30 September 2017 AED'000 (unaudited)	30 September 2016 AED'000 (unaudited)
<i>Transactions with group companies</i>		
Revenue from sale of water and electricity (ADWEC)	541,474	543,688
Supplemental fuel revenue (ADWEC)	116	194
O&M charges by Sembcorp Gulf O & M Company Limited	88,185	95,816
Charges by Sembcorp Industries Limited for manpower support services	1,802	1,826
Emiritization subsidy (ADWEC)	2,294	1,745
<i>Transactions with Government companies</i>		
Licensing fee (Regulation Supervision Bureau)	1,427	1,411

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 15 Related party transactions and balances *(continued)*

#### (a) *Related party transactions (continued)*

##### Compensation of key management personnel

The remuneration of directors and other members of key management during the period are paid directly by Sembcorp Industries Limited and accordingly not included in the Company's expenses.

##### Other related party transactions

Loans from shareholders are disclosed in note 12 to the condensed Interim financial statements.

The activities of the Company are carried out from premises and equipment constructed on land leased from Abu Dhabi Water and Electricity Authority for a nominal amount.

#### (b) Related party balances

##### (i) Amounts due from related parties

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Abu Dhabi Water Electricity Company	125,262	121,167
Sembcorp Gulf O & M Company Limited	6,304	6,713
Sembcorp Industries Limited	80	80
	<u>131,646</u>	<u>127,960</u>

##### (ii) Amounts due to related parties

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Sembcorp Gulf O & M Company Limited	10,613	11,145
Union Power Holding Company	8,545	5,111
Sembcorp Gulf Holding Company Limited	5,696	3,410
Sembcorp Utilities Limited	-	215
Abu Dhabi National Energy Company PJSC ("TAQA")	-	467
	<u>24,854</u>	<u>20,348</u>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the condensed interim financial statements

### 15 Related party transactions and balances *(continued)*

The Company has an onshore operating account, a deposit account and a working capital facility with National Bank of Abu Dhabi, which is a government owned entity.

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
<b>Government entity</b>		
Cash at bank	<u>116,826</u>	<u>167,114</u>

### 16 Commitments and contingencies

#### *Operating lease commitments*

Future capacity payments to be received by the Company under the PWPA and WPA based on projected availability were as follows:

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Within one year	740,131	723,822
After one year but not more than five years	2,992,084	2,950,443
More than five years	6,604,499	7,097,664
	<u>10,336,714</u>	<u>10,771,929</u>

### 17 Dividends

During the period, dividends of AED 0.91 per share (2016: AED 1.82 per share) totalling AED 36,748 thousand (31 December 2016: AED 73,500 thousand) were declared and approved by the Board of Directors' and the shareholders. These were fully paid during the period.

**Emirates Sembcorp Water  
& Power Company PJSC**

Financial statements

**31 December 2016**

**Principal business address:**

P.O. Box 3020

Ras Qidfa

Fujairah

United Arab Emirates

# Emirates Sembcorp Water & Power Company PJSC

## Financial statements

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## **Directors' Report**

The Directors are pleased to present their report to the members together with the audited financial statements of Emirates Sembcorp Water & Power Company PJSC ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended.

### **Directors**

The Directors of the Company in office at the date of this report are:

Dr. Majid Husain Al Kathairi (Chairman)	(appointed on 22 March 2012)
Mr. Ali Hamad Alkaabi	(appointed on 11 January 2017)
Dr. Shehab Ahmed Omar Alameri	(appointed on 11 January 2017)
Mr. Fahed Hamad Al Shamsi	(appointed on 11 January 2017)
Mr. Ng Meng Poh	(appointed on 13 December 2013)
Mr. Hon Siang Juang	(appointed on 21 September 2015)
Mr. Lim Yeow Keong	(appointed on 03 June 2016)

### **Arrangements to enable Directors to acquire shares or debentures**

Neither at the end of nor at any time during the year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

No director who held office during the year, had an interest in shares or debentures of the Company either at the beginning of the year, or date of appointment if later, or at the end of the year.

### **Directors' contractual benefits**

Except as disclosed in the financial statements, since the end of the previous year, no Director of the Company has received or become entitled to receive a benefit (other than any emoluments received from a related corporation) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

### **Auditors**

The auditors, KPMG Lower Gulf Limited, have expressed their willingness to accept re-appointment.

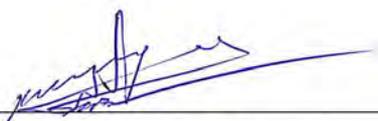
## Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 6 to 32 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the International Financial Reporting Standards and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, approved and authorised these financial statements for issue.

On behalf of the Board of Directors



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Dr. Majid Husain Al Kathairi  
*Chairman*



---

Hon Siang Juang  
*Executive Managing Director*



KPMG Lower Gulf Limited  
Level 19, Nation Tower 2  
Abu Dhabi Corniche, UAE  
Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

## Independent Auditors' Report

To the Shareholders of Emirates Sembcorp Water and Power Company PJSC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Emirates Sembcorp Water and Power Company PJSC ("the Company"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for Opinion*

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

#### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Board of Directors' report set out on pages 1-2.

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

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



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

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

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

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



*Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Other Legal and Regulatory Requirements**

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Board of Directors' report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;
- v) as disclosed in note 12 to the financial statements the Company has not purchased any shares during the year ended 31 December 2016;
- vi) note 19 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016.

KPMG Lower Gulf Limited

Richard Ackland  
Registration No.: 1015  
Abu Dhabi, United Arab Emirates  
Date: 12 APR 2017

# Emirates Sembcorp Water & Power Company PJSC

## Statement of profit or loss and other comprehensive income for the year ended 31 December

	Note	2016 AED'000	2015 AED'000
Revenue	5	722,722	627,305
<b>Cost of sales</b>			
Depreciation	8	(200,267)	(172,760)
Operating and maintenance charges	19	(125,402)	(126,574)
Fuel expenses		(543)	(494)
Insurance		(10,812)	(10,008)
<b>Gross profit</b>		<b>385,698</b>	<b>317,469</b>
Other income		1,790	221
Provision for slow moving and obsolete inventories		(1,185)	(1,225)
General and administrative expenses	6	(18,675)	(16,033)
<b>Operating profit</b>		<b>367,628</b>	<b>300,432</b>
Finance costs	7	(251,628)	(244,318)
Finance income		409	184
<b>Net finance costs</b>		<b>(251,219)</b>	<b>(244,134)</b>
<b>Profit for the year</b>		<b>116,409</b>	<b>56,298</b>
<b>Other comprehensive income for the year</b>			
Reclassification adjustments for losses included in profit or loss		160,849	187,142
Changes in the fair value of derivative financial instruments		(16,127)	(82,554)
<b>Net comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>144,722</b>	<b>104,588</b>
<b>Total comprehensive income for the year</b>		<b>261,131</b>	<b>160,886</b>

The notes set out on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on pages 3 to 5.

# Emirates Sembcorp Water & Power Company PJSC

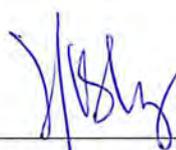
## Statement of financial position as at 31 December

	Note	2016 AED'000	2015 AED'000
<b>Assets</b>			
Property, plant and equipment	8	4,500,070	4,696,156
<b>Non-current assets</b>		<b>4,500,070</b>	<b>4,696,156</b>
Inventories	9	163,654	166,061
Amounts due from related parties	19	127,960	122,500
Prepayments and other receivables	10	8,344	7,038
Cash and cash equivalents	11	251,260	288,826
<b>Current assets</b>		<b>551,218</b>	<b>584,425</b>
<b>Total assets</b>		<b>5,051,288</b>	<b>5,280,581</b>
<b>Equity</b>			
Share capital	12	403,896	403,896
Statutory reserve	14	70,743	59,102
Retained earnings		261,840	230,572
Cumulative changes in fair values of derivatives	20	(381,295)	(526,017)
<b>Total equity</b>		<b>355,184</b>	<b>167,553</b>
<b>Liabilities</b>			
Loans and borrowings	15	3,253,939	3,441,321
Derivatives in effective hedges	20	273,997	404,484
Loans from shareholders	16	666,897	752,905
Employees' end of service benefits		723	624
Asset retirement obligation	17	60,382	57,811
<b>Non-current liabilities</b>		<b>4,255,938</b>	<b>4,657,145</b>
Loans and borrowings	15	187,382	169,340
Trade payables		28,643	33,608
Accruals and other liabilities	18	203,793	223,156
Amounts due to related parties	19	20,348	29,779
<b>Current liabilities</b>		<b>440,166</b>	<b>455,883</b>
<b>Total liabilities</b>		<b>4,696,104</b>	<b>5,113,028</b>
<b>Total equity and liabilities</b>		<b>5,051,288</b>	<b>5,280,581</b>

These financial statements were authorized and approved for issue by the Board of Directors on 12 APR 2017, and signed on their behalf by:



Dr. Majid Husain Al Kathairi  
Chairman



Hon Siang Juang  
Executive Managing Director

The notes set out on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on pages 3 to 5.

# Emirates Sembcorp Water & Power Company PJSC

## Statement of changes in equity for the year ended 31 December

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Cumulative changes in fair values of derivatives AED'000	Total equity AED'000
<b>As at 1 January 2015</b>	403,896	53,472	216,654	(630,605)	43,417
Profit for the year	-	-	56,298	-	56,298
Other comprehensive income for the year	-	-	-	104,588	104,588
<b>Total comprehensive income for the year</b>	<b>403,896</b>	<b>53,472</b>	<b>272,952</b>	<b>(526,017)</b>	<b>204,303</b>
Transfer to statutory reserve	-	5,630	(5,630)	-	-
<b>Transactions with the owners of the Company</b>					
Dividends paid ( <i>note 13</i> )	-	-	(36,750)	-	(36,750)
<b>As at 31 December 2015</b>	<b>403,896</b>	<b>59,102</b>	<b>230,572</b>	<b>(526,017)</b>	<b>167,553</b>
<b>As at 1 January 2016</b>	403,896	59,102	230,572	(526,017)	167,553
Profit for the year	-	-	116,409	-	116,409
Other comprehensive income for the year	-	-	-	144,722	144,722
<b>Total comprehensive income for the year</b>	<b>403,896</b>	<b>59,102</b>	<b>346,981</b>	<b>(381,295)</b>	<b>428,684</b>
Transfer to statutory reserve	-	11,641	(11,641)	-	-
<b>Transactions with the owners of the Company</b>					
Dividends paid ( <i>note 13</i> )	-	-	(73,500)	-	(73,500)
<b>As at 31 December 2016</b>	<b>403,896</b>	<b>70,743</b>	<b>261,840</b>	<b>(381,295)</b>	<b>355,184</b>

The notes set out on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on pages 3 to 5.

# Emirates Sembcorp Water & Power Company PJSC

## Statement of cash flows for the year ended 31 December

	Note	2016 AED'000	2015 AED'000
<b>Cash flows from operating activities</b>			
Profit for the year		116,409	56,298
<i>Adjustments for:</i>			
Depreciation	8	200,267	172,760
Accretion expenses	7	3,758	3,277
Finance income		(409)	(184)
Finance costs	7	247,870	241,041
Gain on disposal of property, plant and equipment		-	(32)
Movement in employees' end of service benefits		99	10
Provision for inventory obsolescence	9	1,185	1,225
		<u>569,179</u>	<u>474,395</u>
<i>Changes in:</i>			
- inventories		1,222	(3,675)
- amounts due from related parties		(5,460)	(10,489)
- prepayments and other receivables		(1,306)	49,441
- trade payables, accruals and other liabilities		10,105	(13,281)
- amounts due to related parties		(9,431)	(35,835)
		<u>564,309</u>	<u>460,556</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(5,368)	(188,199)
Proceeds from disposal of property, plant and equipment		-	116
Interest received		409	184
		<u>(4,959)</u>	<u>(187,899)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Repayment of term loan	15	(169,340)	(148,841)
Repayment of loans from shareholders	16	(86,008)	(73,500)
Proceeds of loan from shareholders	16	-	176,304
Dividends paid	13	(73,500)	(36,750)
Interest paid		(268,068)	(238,573)
		<u>(596,916)</u>	<u>(321,360)</u>
<b>Net cash used in financing activities</b>			
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	11	288,826	337,529
<b>Cash and cash equivalents at 31 December</b>	11	<u>251,260</u>	<u>288,826</u>

The notes set out on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on pages 3 to 5.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 1 Legal status and principal activities

Emirates Sembcorp Water & Power Company PJSC (the “Company”) is a private joint stock Company registered and incorporated in the United Arab Emirates (“UAE”) and is engaged in the generation of electricity and the production of desalinated water. The Company is owned 60% by Union Power Holding Company, a subsidiary of Abu Dhabi National Energy Company PJSC (“TAQA”), which is a subsidiary of Abu Dhabi Water and Electricity Authority (“ADWEA”), and 40% by Sembcorp Gulf Holding Company Limited.

The Company has a management operation and maintenance agreement with Sembcorp Gulf O & M Company Limited (“Sembcorp”), a related party, whereby Sembcorp has undertaken to manage the day-to-day operations and maintain the Company’s plant until March 2029. Furthermore, the Company has entered into two agreements; a power and water purchase agreement (“PWPA”) and a water purchase agreement (“WPA”) with Abu Dhabi Water and Electricity Company (“ADWEC”), a related party, (a wholly-owned subsidiary of ADWEA). Under the PWPA, the Company undertakes to make available, and ADWEC undertakes to purchase, the available net power and water capacity of the plant until March 2029 in accordance with various agreed terms and conditions.

Under the WPA, the Company undertakes to make available, and ADWEC undertakes to purchase, the available net water capacity of the plant until November 2035 in accordance with various agreed terms and conditions.

### 2 Basis of preparation

#### (a) *Statement of compliance*

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and comply, where appropriate, with the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015. UAE Federal Law No. (2) of 2015 being the Commercial Companies Law (“UAE Companies Law of 2015”) was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2017 as per the transitional provisions contained therein.

#### (b) *Basis of measurement*

These financial statements have been prepared under the historical cost basis except for derivative financial instruments, which are measured at fair value.

#### (c) *Functional and presentation currency*

These financial statements are presented in United Arab Emirates Dirhams (“AED”) which is also the Company’s functional currency. All amounts have been rounded off to the nearest thousand, unless otherwise indicated.

#### (d) *Use of judgements and estimates*

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 23.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### (a) Revenue

##### *Revenue from sale of water and electricity*

Revenue from sale of water and electricity includes operating lease rentals, energy payments and other related revenue, and supplemental fuel revenue.

Capacity payments in terms of operating lease rentals are recognised to the extent that capacity has been made available to Abu Dhabi Water and Electricity Company (“ADWEC”) during the year, and measured is in accordance with the contractual terms of the Power and Water Purchase Agreement (“PWPA”) and the Water Purchase Agreement (“WPA”).

##### *Energy and other related revenue*

Energy payments and other related revenue are recognised when contractual quantities of electricity and water are delivered to ADWEC, and is measured in accordance with the contractual terms of PWPA and WPA.

##### *Supplemental fuel income*

Supplemental fuel income represents the amount reimbursed by ADWEC with respect to the cost of back up fuel, incurred by the Company during the year at the market price on the date of replenishment.

#### (b) Property, plant and equipment

##### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss.

##### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (b) Property, plant and equipment (continued)

##### *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over estimated useful lives of each component and is recognised in profit or loss.

	<i>Years</i>
Strategic plant spares	30 - 40 years
Plant and machinery	20 to 40 years
Office equipment	3 - 5 years
Motor vehicles	4 years
Asset retirement obligation	40 years

Depreciation methods, useful lives and residual values are reviewed each year end and adjusted if appropriate.

The cost of spare parts held as essential for the continuity of operations and which are designated as strategic plant spares is depreciated on a straight line basis over the estimated operating life of the plant and equipment to which they relate. Spare parts used for normal repairs and maintenance are expensed when issued.

##### *Capital work in progress*

Capital work in progress is recorded at cost and includes costs based on contractual payments for the design, development, procurement, construction and commissioning of the plant and overhead expenses incurred during that period directly attributable to the construction of the plant. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and ready for use.

##### *Borrowing costs*

Borrowing costs that are directly attributable to the design, development, procurement and construction of each part of a plant up to the date when all activities necessary to prepare each part of the plant for its intended use are complete, are capitalised as part of capital work in progress. Borrowing costs in respect of completed parts of the plant are recognised as an expense in the period in which they are incurred.

##### *Asset retirement obligations*

The Company has a legal obligation in respect of site restoration and abandonment of its power generation and water desalination assets at the end of their useful lives. Asset retirement obligation is recorded at the present value of expected costs to settle the obligation at the end of the useful lives of these assets and the discount rate reflects the risks specific to these assets. The accretion is expensed as incurred and recognised in the profit or loss as finance costs. The estimated future costs of the asset retirement obligation are reviewed annually and adjusted as appropriate. Changes to provision based on revised costs estimates or discount rate applied charges are added or deducted from the cost of the relevant asset.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies *(continued)*

#### (c) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Allowances are made for slow moving and obsolete inventories on the basis of assessment of obsolescence and future use.

#### (d) Financial instruments

##### *Non-derivative financial assets*

Non-derivative financial instruments comprise of prepayments and other receivables, amounts due from related parties and cash and cash equivalents.

The Company initially recognises amounts due from related parties on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

##### *Amounts due from related parties*

Amounts due from related parties are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and at banks in current and call deposit accounts with maturities of three months or less, that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

##### *Non-derivative financial liabilities*

Financial liabilities comprise trade payables, accruals and other liabilities, loans and borrowings, loans from shareholders and amounts due to related parties.

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies *(continued)*

#### *(d) Financial instruments (continued)*

##### *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### *Derivative financial instruments*

The Company enters into interest rate swaps to manage its exposure to interest rate risk.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss and other comprehensive income.

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments are recorded directly to profit and loss unless they are designated as hedge for accounting purposes. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Company designates certain derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

##### *Hedge accounting*

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Company documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Company will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

##### *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### *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. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss 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 cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

#### (e) Impairment

##### *Non-derivative financial assets*

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor and indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment of financial assets at amortised cost at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (e) Impairment (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *Non-financial assets*

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

#### (f) Finance income and costs

Finance costs comprise of interest expense on loans and borrowings, accretion expense and other finance costs. Interest expense and other finance costs is recognised using effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or costs depending on whether foreign currency movement are in a net gain or net loss position.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies *(continued)*

#### *(g) Employees' end of service benefits*

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based on the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension contributions are made in respect of UAE national employees to the Abu Dhabi Retirement and Benefit Fund in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employee's period of service.

An actuarial valuation is not considered necessary by management in respect of staff terminal and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected to be significant.

#### *(h) Leases*

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

##### *Company as a lessor*

Leases where the Company 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### *(i) Foreign currencies*

Transactions in foreign currencies are translated to AED at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date when the fair value was determined. Foreign currency differences are generally recognised in profit or loss.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies *(continued)*

#### *(j) New standards issued but not yet effective*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, however the Company has not early adopted these standards in preparing these financial statements. Those which may be relevant to the Company are set below. The Company does not plan to adopt these standards early.

#### ***IFRS 9 Financial Instruments (2010)***

IFRS 9 published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has not yet assessed the potential impact on its financial statements resulting from the application of IFRS 9.

#### ***IFRS 15 Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has not yet assessed the potential impact on its financial statements resulting from the application of IFRS 15.

#### ***IFRS 16 Leases***

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

### 4 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 4 Financial risk management *(continued)*

The Board of Directors has overall responsibility for the Company and oversight of the Company's risk management framework. The management is responsible for developing and monitoring the Company's risk management policies. The Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related parties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of amounts due from related parties. The main component of this allowance is a specific loss component that relates to individually significant exposures.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk consists of the following three elements:

#### *Interest rate risk*

Interest rate risk is the risk that fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term deposits, term loans and loans from shareholders.

#### *Currency risk*

Currency risk is limited as the Company's transactions are primarily denominated in US dollars (USD) and AED. The stability of the rate of exchange of AED to USD has been maintained since November 1980.

# Emirates Sencorp Water & Power Company PJSC

## Notes to the financial statements

### 4 Financial risk management (continued)

#### Market risk (continued)

##### Equity price risk

The Company does not have investments in securities and is not exposed to equity price risk.

##### Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholders' value.

The Board's policy is to maintain a strong capital base so as to maintain creditor and lender confidence and to sustain future development of the business. Other than the requirements of UAE Federal Law No. (2) of 2015, which the Company is compliant with, the Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

### 5 Revenue

	2016 AED'000	2015 AED'000
Operating lease revenue	698,171	606,210
Energy payments and other related revenue	24,255	20,961
Supplemental fuel revenue	296	134
	<u>722,722</u>	<u>627,305</u>

### 6 General and administrative expenses

	2016 AED'000	2015 AED'000
Staff costs	13,133	11,278
Other general and administrative expenses	5,542	4,755
	<u>18,675</u>	<u>16,033</u>

### 7 Finance costs

	2016 AED'000	2015 AED'000
Interest expense on interest rate swaps	160,849	187,142
Interest expense on loans and borrowings	87,021	53,899
	<u>247,870</u>	<u>241,041</u>
Accretion expense (note 17)	3,758	3,277
	<u>251,628</u>	<u>244,318</u>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 8 Property, plant and equipment

	Reverse osmosis project capital work- in-progress AED'000	Other capital work-in- progress AED'000	Strategic plant spares AED'000	Plant and machinery AED'000	Office equipment and motor vehicles AED'000	Total AED'000
<b>Cost</b>						
At 1 January 2015	458,711	1,698	79,952	5,442,465	3,821	5,986,647
Additions	186,982	12,166	-	8,634	17	207,799
Transfers	(645,693)	(3,502)	415	647,636	1,144	-
Revision to asset retirement obligation estimate (note 17)	-	-	-	(2,084)	-	(2,084)
Disposals	-	-	-	-	(283)	(283)
<b>At 31 December 2015</b>	<b>-</b>	<b>10,362</b>	<b>80,367</b>	<b>6,096,651</b>	<b>4,699</b>	<b>6,192,079</b>
At 1 January 2016	-	10,362	80,367	6,096,651	4,699	6,192,079
Additions	-	5,368	-	-	-	5,368
Transfers	-	(13,409)	-	13,365	44	-
Revision to asset retirement obligation estimate (note 17)	-	-	-	(1,187)	-	(1,187)
Disposals	-	-	-	-	-	-
<b>At 31 December 2016</b>	<b>-</b>	<b>2,321</b>	<b>80,367</b>	<b>6,108,829</b>	<b>4,743</b>	<b>6,196,260</b>
<b>Depreciation</b>						
At 1 January 2015	-	-	14,063	1,306,397	2,902	1,323,362
Charge for the year	-	-	2,254	170,231	275	172,760
Disposals	-	-	-	-	(199)	(199)
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>16,317</b>	<b>1,476,628</b>	<b>2,978</b>	<b>1,495,923</b>
At 1 January 2016	-	-	16,317	1,476,628	2,978	1,495,923
Charge for the year	-	-	2,310	197,445	512	200,267
Disposals	-	-	-	-	-	-
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>18,627</b>	<b>1,674,073</b>	<b>3,490</b>	<b>1,696,190</b>
<b>Net carrying amount</b>						
At 31 December 2015	-	10,362	64,050	4,620,023	1,721	4,696,156
<b>At 31 December 2016</b>	<b>-</b>	<b>2,321</b>	<b>61,740</b>	<b>4,434,756</b>	<b>1,253</b>	<b>4,500,070</b>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 9 Inventories

	2016 AED'000	2015 AED'000
Fuel	113,097	114,319
Spare parts and consumables	63,590	63,590
	<u>176,687</u>	<u>177,909</u>
Provision for slow moving and obsolete inventories	(13,033)	(11,848)
	<u>163,654</u>	<u>166,061</u>

The movement in provision for slow moving and obsolete inventories is set out below:

	2016 AED'000	2015 AED'000
At 1 January	11,848	10,623
Additions during the year	1,185	1,225
	<u>13,033</u>	<u>11,848</u>

### 10 Prepayments and other receivables

	2016 AED'000	2015 AED'000
Prepayments	6,720	6,382
Others	1,624	656
	<u>8,344</u>	<u>7,038</u>

### 11 Cash and cash equivalents

	2016 AED'000	2015 AED'000
Cash in hand	8	2
Cash at bank		
– current accounts	179,252	238,824
– call deposit accounts	72,000	50,000
	<u>251,260</u>	<u>288,826</u>

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

As at 31 December 2016, an amount of AED 18.4 million (2015: AED 18.4 million) of unutilised overdraft facility was available to the Company.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 12 Share capital

	2016 AED'000	2015 AED'000
<i>Authorised, issued and fully paid up capital</i>		
Ordinary shares of AED 10 each (40,389,600 shares at AED 10 each)	<u>403,896</u>	<u>403,896</u>

The Company has not purchased any shares during the year ended 31 December 2016 (31 December 2015: AED Nil).

### 13 Dividends paid

During the year, dividends of AED 1.82 per share (2015: AED 0.90 per share) totalling AED 73,500 thousand (2015: AED 36,750 thousand) were declared and approved by the Board of Directors' and the shareholders. These were fully paid during the year.

### 14 Statutory reserve

As required by UAE Federal law No. (2) of 2015, the Company is required to transfer at least 10% of its net profit for the year to a non-distributable statutory reserve until the amount of the statutory reserve is equal to 50% of the Company's issued capital.

### 15 Loans and borrowings

	Nominal interest rate %	Maturity	2016 AED'000	2015 AED'000
Current	LIBOR + 0.85%	2017	187,382	169,340
Non-current	LIBOR + 0.85% to 1.2%	2018-2029	3,253,939	3,441,321
			<u>3,441,321</u>	<u>3,610,661</u>

During 2006 the Company obtained loan facilities from a syndicate of banks led by Barclays Capital Bank and Societe Generale to finance the extension of Fujairah power and desalination plant. The term loan carries a commitment fee of 0.28% per annum of the undrawn amount.

The original amount of the term loan facility was USD 1,270 million (AED 4,667 million) and any unutilised portion of the facility expired in 2009. The term loan was repayable from February 2010, in accordance with an agreed repayment schedule. The loan is stated net of prepaid finance costs of approximately AED 24,878 thousand (2015: AED 26,930 thousand).

The amounts repayable (excluding the effect of transaction costs) are as follows:

	2016 AED'000	2015 AED'000
Within 1 year	189,885	171,393
Between 1 – 2 years	199,357	189,885
Between 2 – 3 years	196,200	199,357
Between 3 – 4 years	222,360	196,200
Between 4 – 5 years	254,383	222,360
After 5 years	2,404,014	2,658,397
	<u>3,466,199</u>	<u>3,637,592</u>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 15 Loans and borrowings (continued)

The loans are secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of the Company.

Under the terms of its loan facility agreement, the Company is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 20).

The total finance costs relating to loans and borrowings recognised in the income statement, after taking into account the impact of the interest rate swaps, amounted to AED 248 million (2015: AED 241 million).

### 16 Loans from shareholders

Loans from shareholders as at the reporting date, were as follows:

	2016 AED'000	2015 AED'000
<b>Loan for reverse osmosis Plant</b>		
Union Power Holding Company	400,138	412,265
Sembcorp Gulf Holding Company Limited	266,759	274,844
	<u>666,897</u>	<u>687,109</u>
<b>Other shareholder loans</b>		
Union Power Holding Company	-	39,478
Sembcorp Gulf Holding Company Limited	-	26,318
	<u>-</u>	<u>65,796</u>
	<u>666,897</u>	<u>752,905</u>

The other shareholder loans carry an interest rate of LIBOR plus 40 basis points per annum and the Reverse Osmosis loans carry an interest rate of LIBOR plus 190 basis points per annum. The other shareholders loans were fully paid during 2016.

During 2016 the Board of Directors resolved to repay an amount of AED 86,008 thousand of the existing loans from shareholders (2015: AED 73,500 thousand).

During 2013, the Company had commenced its Reverse Osmosis expansion project ("Project") at its Fujairah site. The Project has a capacity of 30 MIGD and was capitalised on 1 December 2015. The construction cost of the Project was financed through unsecured loan from shareholders. During the year, there were no drawdowns (2015: AED 176,304 thousand).

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 16 Loans from shareholders *(continued)*

As at 31 December 2016, total amount of AED 666,897 thousand (2015: AED 752,905 thousand) was still outstanding and was classified as non-current liabilities in the statement of financial position.

### 17 Asset retirement obligation

As part of the land lease agreement between ADWEA and the Company, the Company has a legal obligation to remove the Fujairah power and desalination plant at the end of its useful life, or earlier if the Company is unable to continue its operations, and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

On initial recognition, the fair value of the asset retirement obligation (“ARO”) was calculated using an expected present value technique conducted by an independent appraiser, Parsons Brinckerhoff. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume in the settlement of the obligation.

	2016 AED'000	2015 AED'000
As at 1 January	57,811	50,421
Additions during the year	-	6,197
Revisions in estimate – asset retirement obligation <i>(note 8)</i>	(1,187)	(2,084)
Accretion expenses <i>(note 7)</i>	3,758	3,277
<b>As at 31 December</b>	<b>60,382</b>	<b>57,811</b>

### 18 Accruals and other liabilities

	2016 AED'000	2015 AED'000
Derivatives in effective hedges <i>(note 20)</i> – current portion	107,298	121,533
Accrued interest expense	92,267	95,831
Other	4,228	5,792
	<b>203,793</b>	<b>223,156</b>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 19 Related party transactions and balances

#### (a) Related party transactions

Related parties comprise the shareholder, other holding companies, associated companies, i.e. other subsidiaries of Abu Dhabi National Energy Company, major shareholders, directors and key managerial personnel of the Company and entities controlled or significantly influenced by such parties. In the ordinary course of business, the Company enters into transactions with such related parties, on pricing, terms and conditions approved by Company's management.

IAS 24, "Related Parties" revised requires government owned entities to disclose transactions with other state / government owned entities. Most infrastructure related entities are owned by the Abu Dhabi government and the Company necessarily enters into transactions with those entities in the normal course of business on an arm's length basis. The Company also transacts with these entities in respect of banking facilities, electricity and telephone services.

The related party transactions, outstanding balances and related income and expenses for the year were as follows:

	2016 AED'000	2015 AED'000
<i>Transactions with group companies</i>		
Revenue from sale of water and electricity (ADWEC)	722,426	627,171
Supplemental fuel revenue (ADWEC)	296	134
O&M charges by Sembcorp Gulf O & M Company Limited	125,402	126,574
Charges by Sembcorp Industries Limited for manpower support services	2,423	2,425
Project management charges by Sembcorp Industries Limited for Fujairah Plant extension	-	3,968
Emiritization subsidy (ADWEC)	2,367	1,560
<i>Transactions with Government companies</i>		
Licensing fee (Regulation Supervision Bureau)	1,870	1,793

#### Compensation of key management personnel

The remuneration of directors and other members of key management during the year are paid directly by Sembcorp Industries Limited and accordingly not included in the Company's expenses.

#### Other related party transactions

Loans from shareholders are disclosed in note 16 to the financial statements.

The activities of the Company are carried out from premises and equipment constructed on land leased from Abu Dhabi Water and Electricity Authority for a nominal amount.

Natural gas is supplied by ADWEC at no cost.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 19 Related party transactions and balances *(continued)*

#### (b) Related party balances

##### (i) Amounts due from related parties

	2016 AED'000	2015 AED'000
Abu Dhabi Water Electricity Company	121,167	113,410
Sembcorp Gulf O & M Company Limited	6,713	8,916
Sembcorp Industries Limited	80	174
	<u>127,960</u>	<u>122,500</u>

##### (ii) Amounts due to related parties

	2016 AED'000	2015 AED'000
Union Power Holding Company	5,111	15,255
Sembcorp Gulf Holding Company Limited	3,410	10,170
Sembcorp Gulf O & M Company Limited	11,145	3,032
Sembcorp Industries Limited	-	805
Sembcorp Utilities Limited	215	277
Abu Dhabi National Energy Company PJSC ("TAQA")	467	240
	<u>20,348</u>	<u>29,779</u>

The Company has an onshore operating account, a deposit account and a working capital facility with National Bank of Abu Dhabi, which is a government owned entity.

	2016 AED'000	2015 AED'000
<b>Government entity</b>		
Cash at bank	<u>167,114</u>	<u>195,712</u>

### 20 Fair value measurements

#### Fair values

The fair value of the Company's financial instruments approximate their carrying value at the reporting date.

#### Fair value hierarchy

As at 31 December 2016, the Company held the following financial instruments measured at fair value:

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 20 Fair value measurements *(continued)*

#### Liabilities measured at fair value

	AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>Interest rate swap – hedged</b>				
At 31 December 2016	381,295	-	381,295	-
At 31 December 2015	526,017	-	526,017	-

#### Interest rate swap – hedged

	2016 AED'000	2015 AED'000
Current <i>(refer note 18)</i>	107,298	121,533
Non-current	273,997	404,484
	<u>381,295</u>	<u>526,017</u>

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

*Level 1:* quoted (unadjusted) prices in active markets for identical assets or liabilities.

*Level 2:* other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

*Level 3:* techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year, there were no transfers between Level 1, 2 and 3 fair value measurements *(31 December 2015: AED Nil)*.

### 21 Commitments and contingencies

#### *Operating lease commitments*

Future capacity payments to be received by the Company under the PWPA based on projected availability were as follows:

	2016 AED'000	2015 AED'000
Within one year	723,822	737,595
After one year but not more than five years	2,950,443	2,974,249
More than five years	7,097,664	7,263,438
	<u>10,771,929</u>	<u>10,975,282</u>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 22 Financial instruments

#### (a) Credit risk

##### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
		2016 AED'000	2015 AED'000
Cash at bank	11	251,252	288,824
Amounts due from related parties	19	127,960	122,500
		<u>379,212</u>	<u>411,324</u>

#### (b) Liquidity risk

##### *Maturity profile*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	> 5 years AED'000	Total AED'000
<b>Year ended 31 December 2016</b>					
Term loan	63,018	196,057	1,564,608	2,406,175	4,229,858
Trade payables	28,643	-	-	-	28,643
Amounts due to related parties	20,348	-	-	-	20,348
Loans from shareholders	9,977	9,977	99,774	1,135,836	1,255,564
Derivative financial instruments	98,372	94,339	515,140	-	707,851
<b>Total</b>	<u>220,358</u>	<u>300,373</u>	<u>2,179,522</u>	<u>3,542,011</u>	<u>6,242,264</u>
<b>Year ended 31 December 2015</b>					
Term loan	14,351	45,837	1,385,469	2,725,509	4,171,166
Trade payables	33,608	-	-	-	33,608
Amounts due to related parties	29,779	-	-	-	29,779
Loans from shareholders	9,918	9,918	99,183	1,238,900	1,357,919
Derivative financial instruments	102,603	99,548	707,851	-	910,002
<b>Total</b>	<u>190,259</u>	<u>155,303</u>	<u>2,192,503</u>	<u>3,964,409</u>	<u>6,502,474</u>

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

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 22 Financial instruments (continued)

#### (b) Liquidity risk (continued)

	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	Total AED'000
<b>Year ended 31 December 2016</b>				
Inflows	42,635	40,886	223,259	306,780
Outflows	(98,372)	(94,339)	(515,140)	(707,851)
<b>Net</b>	<b>(55,737)</b>	<b>(53,453)</b>	<b>(291,881)</b>	<b>(401,071)</b>
Discounted at the applicable interbank rates	(55,083)	(52,215)	(273,997)	(381,295)
<b>Year ended 31 December 2015</b>				
Inflows	39,938	38,750	275,530	354,218
Outflows	(102,603)	(99,548)	(707,851)	(910,002)
<b>Net</b>	<b>(62,665)</b>	<b>(60,798)</b>	<b>(432,321)</b>	<b>(555,784)</b>
Discounted at the applicable interbank rates	(62,004)	(59,529)	(404,484)	(526,017)

#### (c) Currency risk

Management considers that the Company is not exposed to significant currency risk. The majority of their transactions and balances are in either UAE Dirhams or US Dollars. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

#### (d) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term deposits, term loan and shareholder loans. To manage this, the Company enters into interest rate swaps, in which the 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. At 31 December 2016, after taking into account the effect of the interest rate swaps, 100% of the Company's borrowings are at a fixed rate of interest (2015: 100%). The notional amount outstanding at 31 December 2016 was US Dollars 943 million (AED 3,466 million) (2015: US Dollars 990 million (AED 3,638 million)). At 31 December 2016, the fixed rates varied from 3.62% to 5.85% (2015: 3.62% to 5.85%). The floating interest rate is LIBOR. The derivative instruments which are entered into for the purpose of cash flow hedge had a negative fair value of AED 381 million at 31 December 2016 (2016: AED 526 million), of which AED 274 million (2015: AED 404 million) was included separately in the statement of financial position and the current portion amounting to AED 107 million (2015: AED 121 million) is included within accruals and other liabilities (note 18).

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 22 Financial instruments (continued)

#### (d) Interest rate risk (continued)

##### *Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit for the year (through the impact on shareholder loans, term loans and short term deposits):

	Effect on profit AED'000
<b>2016</b>	
+15 increase in basis points	(6,054)
-15 decrease in basis points	6,054
<b>2015</b>	
+15 increase in basis points	(6,470)
-15 decrease in basis points	6,470

#### (e) Accounting classifications and fair values of financial assets and liabilities

All of the Company's financial instruments fall with the category of loans and receivables. The fair values of these financial assets and liabilities approximate their carrying values as stated in the statement of financial position.

In the process of applying the Company's accounting policies, which are detailed in note 3, management has made the following judgements which have had the most significant effect on the amounts of assets and liabilities recognised in the financial statements. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Provision for obsolete inventory*

The Company reviews its inventory to assess losses on account of obsolescence on a regular basis. In determining whether a provision for obsolescence should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that the product is saleable in the future and its net realisable value. Accordingly, provision for impairment is made where the net realisable value is less than cost, based on best estimates by the management. The provision for obsolescence of spares is based on the ageing of the stocks and the past consumption of the stocks.

##### *Impairment of property, plant and equipment*

Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment on an annual basis because of the difference between the duration of contracted cash flows and accounting depreciation of assets. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows for the period lying beyond the term of the initial PWPA and WPA and also choose a suitable discount rate in order to calculate the present value of those cash flows.

# Emirates Sencorp Water & Power Company PJSC

## Notes to the financial statements

### 22 Financial instruments (continued)

#### (e) Accounting classifications and fair values of financial assets and liabilities (continued)

##### *Useful lives of property, plant and equipment*

Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary.

##### *Hedge accounting*

It is the Company's policy to document, at the inception of a hedge, the relationship between hedging instruments and hedged items, as well as risk management objective and strategy. The policy also requires documentation of the assessment, at inception and on an ongoing basis of the effectiveness of the hedge. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the entity revokes the designation. In 2010, the Company revoked the hedge on certain derivatives. Management has reviewed the criteria under IAS 39 and is satisfied with the treatment.

##### *Derivative financial instruments*

The fair values of derivative financial instruments measured at fair value is generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

### 23 Accounting estimates and judgements

#### *Accounting under Power and Water Purchase Arrangements ("PWPA") and Water Purchase Arrangements ("WPA")*

The Company has entered into a long term PWPA and WPA with a subsidiary of the parent. In accounting for this arrangement, the Company has determined the PWPA and the WPA to be a lease as the possibility that another party will take more than an insignificant amount of the asset's output during the term of the arrangement is remote, and the price paid by the Company for the output is neither a contractually fixed price per unit of output nor the market price per unit of output. Further, management has concluded that this arrangement is in the nature of operating lease since it does not transfer substantially all the risks and rewards incidental to ownership of the asset.

### 24 Comparative figures

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the financial statements.

**Emirates Sembcorp Water  
& Power Company PJSC**

Financial statements

**31 December 2015**

**Principal address of business:**

PO Box 3020  
Ras Qidfa, Fujairah  
United Arab Emirates

# Emirates Sembcorp Water & Power Company PJSC

## Financial statements

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## **Independent auditors' report**

The Shareholders  
Emirates Sembcorp Water and Power Company PJSC  
Abu Dhabi  
United Arab Emirates

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Emirates Sembcorp Water & Power Company PJSC (the "Company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



*Other matter*

The comparative information as at and for the year ended 31 December 2014, presented in the financial statements, is based on financial statements of the Company as at and for the year ended 31 December 2014, which were audited by another auditor whose report dated 19 March 2015 expressed an unqualified audit opinion on those financial statements.

**Report on Other Legal and Regulatory Requirements**

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

- i) We have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) The Company has maintained proper books of account;
- iv) The financial information included in the Board of Directors' report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;
- v) As disclosed in note 12 to the financial statements the Company has not purchased any shares during the year ended 31 December 2015;
- vi) Note 19 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015.

Munther Dajani  
Registration number 268  
Abu Dhabi  
United Arab Emirates

17 MAR 2016

# Emirates Sembcorp Water & Power Company PJSC

Statement of profit or loss and other comprehensive income  
for the year ended 31 December

	<i>Notes</i>	<b>2015</b> <b>AED '000</b>	2014 AED '000
Revenues	5	<b>627,305</b>	579,626
<b>Cost of sales</b>			
Depreciation charges	8	<b>(172,760)</b>	(167,920)
Operating and maintenance charges	19	<b>(126,574)</b>	(104,288)
Fuel expenses		<b>(494)</b>	(736)
Insurance		<b>(10,008)</b>	(9,649)
<b>Gross profit</b>		<b>317,469</b>	297,033
Other income	24	<b>221</b>	32,092
Provision for slow moving and obsolete inventory		<b>(1,225)</b>	(1,368)
General and administrative expenses	6	<b>(16,033)</b>	(15,456)
<b>Operating profit</b>		<b>300,432</b>	312,301
Finance costs	7	<b>(244,318)</b>	(240,758)
Finance income		<b>184</b>	181
<b>Net finance cost</b>		<b>(244,134)</b>	(240,577)
<b>Profit for the year</b>		<b>56,298</b>	71,724
<b>Other comprehensive income for the year</b>			
Reclassification adjustments for losses included in profit or loss		<b>187,142</b>	194,288
Changes in the fair value of derivative financial instruments		<b>(82,554)</b>	(142,408)
<b>Net comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>104,588</b>	51,880
<b>Total comprehensive income for the year</b>		<b>160,886</b>	123,604

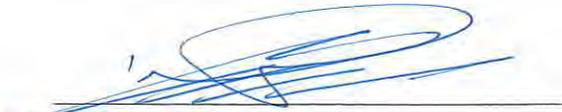
The notes set out on pages 7 to 29 form an integral part of these financial statements.

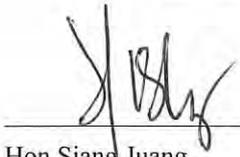
The independent auditors' report is set out on pages 1 and 2.

# Emirates Sembcorp Water & Power Company PJSC

## Statement of financial position as at 31 December

	Notes	2015 AED '000	2014 AED '000
<b>Assets</b>			
Property, plant and equipment	8	4,696,156	4,663,285
<b>Non-current assets</b>		<b>4,696,156</b>	<b>4,663,285</b>
Inventories	9	166,061	163,611
Amounts due from related parties	19	122,329	111,840
Prepayments and other assets	10	7,038	56,479
Cash and cash equivalents	11	288,826	337,529
<b>Current assets</b>		<b>584,254</b>	<b>669,459</b>
<b>Total Assets</b>		<b>5,280,410</b>	<b>5,332,744</b>
<b>Equity</b>			
Share capital	12	403,896	403,896
Statutory reserve	14	59,102	53,472
Retained earnings		230,571	216,654
Cumulative changes in fair values of derivatives	20	(526,016)	(630,605)
<b>Total equity</b>		<b>167,553</b>	<b>43,417</b>
<b>Liabilities</b>			
Loans and borrowings	15	3,441,321	3,610,661
Derivatives in effective hedges	20	404,484	506,566
Loans from shareholders	16	752,905	650,101
Employees' end of service benefits		624	614
Asset retirement obligation	17	57,811	50,421
<b>Non-current liabilities</b>		<b>4,657,145</b>	<b>4,818,363</b>
Loans and borrowings	15	169,340	146,788
Trade payables		36,505	49,590
Accruals and other liabilities	18	247,314	236,198
Amounts due to related parties	19	2,553	38,388
<b>Current liabilities</b>		<b>455,712</b>	<b>470,964</b>
<b>Total liabilities</b>		<b>5,112,857</b>	<b>5,289,327</b>
<b>Total equity and liabilities</b>		<b>5,280,410</b>	<b>5,332,744</b>

  
Eng Faisal Ali Ahmed Najed  
Chairman

  
Hon Siang Juang  
Executive Managing Director

The notes set out on pages 7 to 29 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 and 2.

# Emirates Sencorp Water & Power Company PJSC

## Statement of changes in equity for the year ended 31 December

	Share capital AED '000	Statutory reserve AED '000	Retained earnings AED '000	Cumulative changes in fair values of derivatives AED '000	Total equity AED '000
<b>As at 1 January 2014</b>	403,896	46,300	172,314	(682,485)	(59,975)
Profit for the year	-	-	71,724	-	71,724
Other comprehensive income for the year	-	-	-	51,880	51,880
<b>Total comprehensive income for the year</b>	<b>403,896</b>	<b>46,300</b>	<b>244,038</b>	<b>(630,605)</b>	<b>63,629</b>
Transfer to statutory reserve	-	7,172	(7,172)	-	-
<b>Transactions with the owners of the Company</b>					
Dividends paid (note 13)	-	-	(20,212)	-	(20,212)
<b>As at 31 December 2014</b>	<b>403,896</b>	<b>53,472</b>	<b>216,654</b>	<b>(630,605)</b>	<b>43,417</b>
<b>As at 1 January 2015</b>	403,896	53,472	216,654	(630,605)	43,417
Profit for the year	-	-	56,298	-	56,298
Other comprehensive income for the year	-	-	-	104,588	104,588
<b>Total comprehensive income for the year</b>	<b>403,896</b>	<b>53,472</b>	<b>272,952</b>	<b>(526,017)</b>	<b>204,303</b>
Transfer to statutory reserve	-	5,630	(5,630)	-	-
<b>Transactions with the owners of the Company</b>					
Dividends paid (note 13)	-	-	(36,750)	-	(36,750)
<b>As at 31 December 2015</b>	<b>403,896</b>	<b>59,102</b>	<b>230,572</b>	<b>(526,017)</b>	<b>167,553</b>

The notes set out on pages 7 to 29 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 and 2.

# Emirates Sencorp Water & Power Company PJSC

## Statement of cash flows

For the year ended 31 December 2015

	<i>Notes</i>	2015 AED '000	2014 AED '000
<b>Operating activities</b>			
Profit for the year		56,298	71,724
<i>Adjustments:</i>			
Depreciation	8	172,760	167,920
Accretion expenses	7	3,277	3,277
Finance income		(184)	(181)
Finance costs	7	241,041	237,481
(Gain) / loss on disposal of property, plant and equipment		(32)	42,115
Movement in employees' end of service benefits		10	157
Provision for inventory obsolescence	9	1,225	1,368
		<u>474,395</u>	<u>523,861</u>
<i>Changes in:</i>			
- inventories		(3,675)	767
- amounts due from related parties		(10,489)	(4,659)
- prepayments and other assets		49,441	(49,649)
- trade payables, accruals and other liabilities		(13,281)	31,415
- amounts due to related parties		(35,835)	35,061
		<u>460,556</u>	<u>536,796</u>
<b>Cash generated from operating activities</b>			
<b>Investing activities</b>			
Purchase of property, plant and equipment	8	(188,199)	(402,106)
Proceeds from disposal of property, plant and equipment		116	9,056
Interest received		184	181
		<u>(188,199)</u>	<u>(392,869)</u>
<b>Net cash used in investing activities</b>			
<b>Financing activities</b>			
Repayment of term loan	15	(148,841)	(157,411)
Repayment of loans from shareholders	16	(73,500)	(20,212)
Proceeds of loan from shareholders	16	176,304	235,706
Dividends paid	13	(36,750)	(20,212)
Interest paid		(238,573)	(231,204)
		<u>(321,360)</u>	<u>191,333</u>
<b>Net cash (used in)/ generated from financing activities</b>			
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	11	337,529	386,935
<b>Cash and cash equivalents at 31 December</b>	<b>11</b>	<b><u>288,826</u></b>	<b><u>337,529</u></b>

The notes set out on pages 7 to 29 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 and 2.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 1 Legal status and principal activities

Emirates Sembcorp Water & Power Company PJSC (the "Company") is a private joint stock Company registered and incorporated in the United Arab Emirates ("UAE") and is engaged in the generation of electricity and the production of desalinated water.

The Company is 60% owned by Union Power Holding Company, a subsidiary of Abu Dhabi National Energy Company PJSC ("TAQA"), which is a subsidiary of Abu Dhabi Water and Electricity Authority ("ADWEA"), and is 40% owned by Sembcorp Gulf Holding Company Limited.

The Company has a management operation and maintenance agreement with Sembcorp Gulf O & M Company Limited ("Sembcorp"), a related party, whereby Sembcorp has undertaken to manage the day-to-day operations and maintain the Company's plant until March 2029. Furthermore, the Company has entered into a power and water purchase agreement ("PWPA") with Abu Dhabi Water and Electricity Company ("ADWEC"), a related party, (a wholly-owned subsidiary of ADWEA). Under the PWPA, the Company undertakes to make available, and ADWEC undertakes to purchase, the available net capacity of the plant until March 2029 in accordance with various agreed terms and conditions.

These financial statements were approved and authorised for issue by the Board of Directors on 17<sup>th</sup> March 2016.

### 2 Basis of preparation

#### (a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the UAE Federal Law No. (2) of 2015. UAE Federal Law No 2 of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein.

#### (b) *Basis of measurement*

These financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value.

#### (c) *Functional and presentation currency*

The financial statements are presented in UAE Dirhams ("AED") which is also the Company's functional currency. All amounts have been rounded off to the nearest thousand, unless otherwise indicated.

#### (d) *Use of judgements and estimates*

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 23.

# Emirates Sencorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### (a) Revenue

##### *Revenue from sale of water and electricity*

Revenue from sale of water and electricity includes operating lease rentals, energy payments and other related revenue, and supplemental fuel revenue.

Capacity payments in terms of operating lease rentals are recognised and measured to the extent that capacity has been made available to Abu Dhabi Water and Electricity Company ("ADWEC") during the year, in accordance with the contractual terms of the Power and Water Purchase Agreement ("PWPA").

##### *Energy and other related revenue*

Energy payments and other related revenue are recognised and measured when they are delivered to ADWEC, in accordance with the contractual terms of PWPA.

##### *Supplemental fuel income*

Supplemental fuel income represents the amount reimbursed by ADWEC with respect to the cost of back up fuel, incurred by the Company during the year at the appropriate market price on the date of replenishment.

#### (b) Property, plant and equipment

##### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss.

##### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

# Emirates Sencorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (b) Property, plant and equipment (continued)

##### *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over estimated useful lives of each component and is recognised in profit or loss.

	<i>Years</i>
Strategic plant spares	30 - 40 years
Plant and machinery	20 to 40 years
Office equipment	3 - 5 years
Motor vehicles	4 years
Asset retirement obligation	40 years

Depreciation methods, useful lives and residual values are reviewed each year end and adjusted if appropriate.

The cost of spare parts held as essential for the continuity of operations and which are designated as strategic plant spares is depreciated on a straight line basis over the estimated operating life of the plant and equipment to which they relate. Spare parts used for normal repairs and maintenance are expensed when issued.

##### *Capital work in progress*

Capital work in progress is recorded at cost and includes costs based on contractual payments for the design, development, procurement, construction and commissioning of the plant and overhead expenses incurred during that period directly attributable to the construction of the plant. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and commissioned.

##### *Borrowing costs*

Borrowing costs that are directly attributable to the design, development, procurement and construction of each part of a plant up to the date when all activities necessary to prepare each part of the plant for its intended use are complete, are capitalised as part of capital work in progress. Borrowing costs in respect of completed parts of the plant are recognised as an expense in the period in which they are incurred.

##### *Asset retirement obligations*

The Company has a legal obligation in respect of site restoration and abandonment of their power generation and water desalination assets at the end of their useful lives. The Company recognises an asset retirement obligation 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 obligation discounted at a rate that reflects the risks specific to the asset retirement obligation. The accretion is expensed as incurred and recognised in the profit or loss as a finance cost. The estimated future costs of the asset retirement obligation are reviewed annually and adjusted as appropriate. Changes to provision based on revised costs estimates or discount rate applied charges are added to or deducted from the cost of the relevant asset.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies *(continued)*

#### *(c)* Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

#### *(d)* Financial instruments

##### *Non-derivative financial assets*

Non-derivative financial instruments comprise of other assets, amounts due from related parties and cash and cash equivalents.

The Company initially recognises amounts due from related parties on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

##### *Amounts due from related parties*

Amounts due from related parties are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and at banks in current and call deposit accounts with maturities of three months or less, that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

##### *Non-derivative financial liabilities*

Financial liabilities comprise trade payables, accruals and other liabilities, loans and borrowings, loans from shareholders and amounts due to related parties.

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### *Derivative financial instruments*

The Company enters into interest rate swaps to manage its exposure to interest rate risk.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss and other comprehensive income.

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments are recorded directly to profit and loss unless they are designated as hedge for accounting purposes. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Company designates certain derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

##### *Hedge accounting*

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Company documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Company will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

##### *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### *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. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss 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 cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

#### (e) Impairment

##### *Non-derivative financial assets*

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor and indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment of financial assets at amortised cost at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies *(continued)*

#### *(e) Impairment (continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *Non-financial assets*

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

#### *(f) Finance income and costs*

Finance income is comprised of interest income on funds invested. Interest income and costs are recognised as they accrue, using the effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or costs depending on whether foreign currency movements are in a net gain or net loss position.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies *(continued)*

#### *(g) Employees' end of service benefits*

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based on the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension contributions are made in respect of UAE national employees to the Abu Dhabi Retirement and Benefit Fund in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employee's period of service.

An actuarial valuation is not considered necessary by management in respect of staff terminal and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected to be significant.

#### *(h) Leases*

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

##### *Company as a lessor*

Leases where the Company 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### *(i) Foreign currencies*

Transactions in foreign currencies are recorded at the rate applicable at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange applicable at the reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of 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 is determined.

# Emirates Sencorp Water & Power Company PJSC

## Notes to the financial statements

### 3 Significant accounting policies *(continued)*

#### *(j) New standards issued but not yet effective*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, however the Company has not early adopted these standards in preparing these financial statements. Those which may be relevant to the Company are set below. The Company does not plan to adopt these standards early.

#### *IFRS 9 Financial Instruments (2010)*

IFRS 9 published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has not yet assessed the potential impact on its financial statements resulting from the application of IFRS 9.

#### *IFRS 15 Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has not yet assessed the potential impact on its financial statements resulting from the application of IFRS 15.

### 4 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the Company and oversight of the Company's risk management framework. The management is responsible for developing and monitoring the Company's risk management policies. The Management reports regularly to the Board of Directors on its activities.

# Emirates Sencorp Water & Power Company PJSC

## Notes to the financial statements

### 4 Financial risk management (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related parties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of amounts due from related parties. The main component of this allowance is a specific loss component that relates to individually significant exposures.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk consists of the following three elements:

#### *Interest rate risk*

Interest rate risk is the risk that fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term deposits, term loans and loans from shareholders.

#### *Currency risk*

Currency risk is limited as the Company's transactions are primarily denominated in US dollars (USD) and AED. The stability of the rate of exchange of AED to USD has been maintained since November 1980.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 4 Financial risk management *(continued)*

#### *Market risk (continued)*

##### *Equity price risk*

The Company does not have investments in securities and is not exposed to equity price risk.

##### *Capital management*

The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholders' value.

The Board's policy is to maintain a strong capital base so as to maintain creditor and lender confidence and to sustain future development of the business. Other than the requirements of UAE Federal Law No. 2 of 2015, which the Company is compliant with, the Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

### 5 Revenue

	2015 AED '000	2014 AED '000
Operating lease revenue <i>(refer note 19)</i>	606,210	561,581
Energy payments and other related revenue	20,961	17,518
Supplemental fuel revenue	134	527
	<u>627,305</u>	<u>579,626</u>

### 6 General and administrative expenses

	2015 AED '000	2014 AED '000
Staff costs	11,278	11,122
Other general and administrative expenses	4,755	4,334
	<u>16,033</u>	<u>15,456</u>

### 7 Finance costs

	2015 AED '000	2014 AED '000
Interest expense on interest rate swaps	187,142	194,288
Interest expense on loans and borrowings	53,899	43,193
	<u>241,041</u>	<u>237,481</u>
Accretion expense <i>(note 17)</i>	3,277	3,277
	<u>244,318</u>	<u>240,758</u>

# Emirates Sencorp Water & Power Company PJSC

Notes to the financial statements

## 8 Property, plant and equipment

	Reverse osmosis project capital work in progress AED '000	Other capital work in progress AED '000	Strategic plant spares AED '000	Plant and machinery AED '000	Office equipment and motor vehicles AED '000	Total AED '000
<b>Cost</b>						
At 1 January 2014	129,512	1,860	79,952	5,421,361	3,821	5,636,506
Additions	329,199	3,911	-	76,618	-	409,728
Transfers	-	(4,073)	-	4,073	-	-
Revision to asset retirement obligation estimate (note 17)	-	-	-	(1,131)	-	(1,131)
Disposals	-	-	-	(58,456)	-	(58,456)
<b>At 31 December 2014</b>	<b>458,711</b>	<b>1,698</b>	<b>79,952</b>	<b>5,442,465</b>	<b>3,821</b>	<b>5,986,647</b>
At 1 January 2015	458,711	1,698	79,952	5,442,465	3,821	5,986,647
Additions	186,982	12,166	-	8,634	17	207,799
Transfers	(645,693)	(3,502)	415	647,636	1,144	-
Revision to asset retirement obligation estimate (note 17)	-	-	-	(2,084)	-	(2,084)
Disposals	-	-	-	-	(283)	(283)
<b>At 31 December 2015</b>	<b>-</b>	<b>10,362</b>	<b>80,367</b>	<b>6,096,651</b>	<b>4,699</b>	<b>6,192,079</b>
<b>Depreciation</b>						
At 1 January 2014	-	-	11,813	1,148,275	2,639	1,162,727
Charge for the year	-	-	2,250	165,407	263	167,920
Disposals	-	-	-	(7,285)	-	(7,285)
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>14,063</b>	<b>1,306,397</b>	<b>2,902</b>	<b>1,323,362</b>
At 1 January 2015	-	-	14,063	1,306,397	2,902	1,323,362
Charge for the year	-	-	2,254	170,231	275	172,760
Disposals	-	-	-	-	(199)	(199)
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>16,317</b>	<b>1,476,628</b>	<b>2,978</b>	<b>1,495,923</b>
<b>Carrying amount</b>						
At 31 December 2014	458,711	1,698	65,889	4,136,068	919	4,663,285
<b>At 31 December 2015</b>	<b>-</b>	<b>10,362</b>	<b>64,050</b>	<b>4,620,023</b>	<b>1,721</b>	<b>4,696,156</b>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 9 Inventories

	2015 AED '000	2014 AED '000
Fuel	114,319	114,480
Spare parts and consumables	63,590	59,754
	<u>177,909</u>	<u>174,234</u>
Provision for slow moving and obsolete inventories	(11,848)	(10,623)
	<u>166,061</u>	<u>163,611</u>

The movement in provision for slow moving and obsolete inventories is set out below:

	2015 AED '000	2014 AED '000
At 1 January	10,623	9,255
Additions during the year	1,225	1,368
	<u>11,848</u>	<u>10,623</u>

### 10 Prepayments and other receivables

	2015 AED '000	2014 AED '000
Insurance claim receivable	-	43,553
Prepayments	7,038	12,926
	<u>7,038</u>	<u>56,479</u>

### 11 Cash and cash equivalents

	2015 AED '000	2014 AED '000
Cash in hand	2	46
Cash at bank		
– current accounts	238,824	183,136
– call deposit accounts	50,000	154,347
	<u>288,826</u>	<u>337,529</u>

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

As at 31 December 2015, an amount of AED 18.4 million (2014: AED 18.4 million) of unutilised overdraft facility was available to the Company.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 12 Share capital

	2015 AED '000	2014 AED '000
<i>Authorised, issued and fully paid up capital</i>		
Ordinary shares of AED 10 each (40,389,600 shares at AED 10 each)	<u>403,896</u>	<u>403,896</u>

The Company has not purchased any shares during the year ended 31 December 2015 (31 December 2014: nil).

### 13 Dividends paid

During the year, dividends of AED 0.90 per share (2014: AED 0.50 per share) totalling AED 36,750 thousand (2014: AED 20,212 thousand) were declared and approved by the Board of Directors' and the shareholders. These were fully paid during the year.

### 14 Statutory reserve

As required by UAE Federal law No. 2 of 2015, the Company is required to transfer at least 10% of its net profit for the year to a non-distributable statutory reserve until the amount of the statutory reserve is equal to 50% of the Company's issued capital.

### 15 Loans and borrowings

	Nominal interest rate %	Maturity	2015 AED '000	2014 AED '000
Current	LIBOR + 0.85%	2015	169,340	146,788
Non-current	LIBOR + 0.85% to 1.2%	2016-2029	<u>3,441,321</u>	<u>3,610,661</u>
			<u>3,610,661</u>	<u>3,757,449</u>

During 2006 the Company obtained loan facilities from a syndicate of banks led by Barclays Capital Bank and Societe Generale to finance the extension of Fujairah power and desalination plant. The term loan carries a commitment fee of 0.28% per annum of the undrawn amount.

The original amount of the term loan facility was USD 1,270 million (AED 4,667 million) and any unutilised portion of the facility expired in 2009. The term loan was repayable from February 2010, in accordance with an agreed repayment schedule. The loan is stated net of prepaid finance costs of approximately AED 26,930 thousand (2014: AED 28,984 thousand).

The amounts repayable (excluding the effect of transaction costs) are as follows:

	2015 AED '000	2014 AED '000
Within 1 year	171,393	148,841
Between 1 - 2 years	189,885	171,393
Between 2 - 3 years	199,357	189,885
Between 3 - 4 years	196,200	199,357
Between 4 - 5 years	222,360	196,200
After 5 years	<u>2,658,397</u>	<u>2,880,757</u>
	<u>3,637,592</u>	<u>3,786,433</u>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 15 Loans and borrowings (continued)

The loans are secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of the Company.

Under the terms of its loan facility agreement, the Company is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 20).

The total finance costs relating to loans and borrowings recognised in the income statement, after taking into account the impact of the interest rate swaps, amounted to AED 241 million (2014: AED 237 million).

### 16 Loans from shareholders

Loans from shareholders as at the reporting date, were as follows:

	2015 AED '000	2014 AED '000
<b>Loan for reverse osmosis Plant</b>		
Union Power Holding Company	412,265	306,483
Sembcorp Gulf Holding Company Limited	274,844	204,322
	<u>687,109</u>	<u>510,805</u>
<b>Other shareholder loans</b>		
Union Power Holding Company	39,478	83,578
Sembcorp Gulf Holding Company Limited	26,318	55,718
	<u>65,796</u>	<u>139,296</u>
	<u>752,905</u>	<u>650,101</u>

The other shareholder loans carry an interest rate of LIBOR plus 40 basis points per annum and the Reverse Osmosis loans carry an interest rate of LIBOR plus 190 basis points per annum. The loans are unsecured and repayable until the year September 2046.

During 2015 the Board of Directors resolved to repay an amount of AED 73,500 thousand of the existing loans from shareholders (2014: AED 20,212 thousand).

During 2013, the Company had commenced its Reverse Osmosis expansion project ("Project") at its Fujairah site. The Project has a capacity of 30 MIGD and was capitalised on 1 December 2015. The construction cost of the Project was financed through unsecured loan from shareholders. The total amount of drawdowns during the year was AED 176,304 thousand (2014: AED 235,706 thousand).

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 16 Loans from shareholders *(continued)*

As at 31 December 2015, total amount of AED 752,905 thousand (2014: AED 650,101 thousand) was still outstanding and was classified as non-current liabilities in the statement of financial position.

### 17 Asset retirement obligation

As part of the land lease agreement between ADWEA and the Company, the Company has a legal obligation to remove the Fujairah power and desalination plant at the end of its useful life, or earlier if the Company is unable to continue its operations, and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

On initial recognition, the fair value of the asset retirement obligation (“ARO”) was calculated using an expected present value technique conducted by an independent appraiser, Parsons Brinckerhoff. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume in the settlement of the obligation.

	2015 AED '000	2014 AED '000
As at 1 January	50,421	48,275
Additions during the year	6,197	-
Revisions in estimate – asset retirement obligation <i>(note 8)</i>	(2,084)	(1,131)
Accretion expenses <i>(note 7)</i>	3,277	3,277
As at 31 December	<u>57,811</u>	<u>50,421</u>

### 18 Accruals and other liabilities

	2015 AED '000	2014 AED '000
Derivatives in effective hedges <i>(note 20)</i> – current portion	121,532	124,039
Accrued interest expense	121,256	107,438
Other	4,525	4,721
	<u>247,313</u>	<u>236,198</u>

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 19 Related party transactions and balances

#### (a) Related party transactions

Related parties represent holding and other associated companies i.e. other subsidiaries of Abu Dhabi National Energy Company, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties, including the Government of Abu Dhabi which is the ultimate controlling party of the Company. Pricing policies and terms of these transactions are approved by the Company's management.

IAS 24, "Related Parties" requires government owned entities to disclose transactions with other state / government owned entities. Most infrastructure related entities are owned by the Abu Dhabi government and the Company necessarily enters into transaction with those entities in the normal course of business on an arm's length basis. The Company also transacts with these entities in respect of banking facilities, electricity and telephone charges.

The volume of related party transactions, outstanding balances and related expenses and income for the year are as follows:

	2015 AED '000	2014 AED '000
<i>Transactions with group companies</i>		
Revenue from sale of water and electricity (ADWEC)	627,171	579,099
Supplemental fuel revenue (ADWEC)	134	527
O&M charges by Sembcorp Gulf O & M Company Limited	126,574	104,288
Charges by Sembcorp Industries Limited for manpower support services	2,425	2,671
Project management charges by Sembcorp Industries Limited For Fujairah Plant extension	3,968	4,761
Emiritization subsidy (ADWEC)	1,560	1,342
<i>Transactions with Government companies</i>		
Licensing fee (Regulation Supervision Bureau)	1,793	1,692

#### Compensation of key management personnel

The remuneration of directors and other members of key management during the year are paid directly by Sembcorp Industries Limited and accordingly not included in the Company's expenses.

#### Other related party transactions

Loans from shareholders are disclosed in note 16 to the financial statements.

The activities of the Company are carried out from premises and equipment constructed on land leased from Abu Dhabi Water and Electricity Authority for a nominal amount.

Natural gas is supplied by ADWEC at no cost.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 19 Related party transactions and balances *(continued)*

#### (b) Related party balances

##### (i) Amounts due from related parties

	2015 AED '000	2014 AED '000
Abu Dhabi Water Electricity Company	113,410	104,177
Sembcorp Gulf O & M Company Limited	8,916	7,651
Sembcorp Industries Limited	3	12
	<u>122,329</u>	<u>111,840</u>

##### (ii) Amounts due to related parties

	2015 AED '000	2014 AED '000
Sembcorp Gulf O & M Company Limited	1,748	37,604
Sembcorp Industries Limited	805	784
	<u>2,553</u>	<u>38,388</u>

The Company has an onshore operating account, a deposit account and a working capital facility with National Bank of Abu Dhabi, which is a government owned entity.

	2015 AED '000	2014 AED '000
<b>Government entity</b>		
Cash at bank	<u>195,712</u>	<u>99,598</u>

### 20 Fair value measurements

#### Fair values

The fair value of the Company's financial instruments approximate their carrying value at the reporting date.

#### Fair value hierarchy

As at 31 December 2015, the Company held the following financial instruments measured at fair value:

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 20 Fair value measurements (continued)

#### Liabilities measured at fair value

	AED '000	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000
<b>Interest rate swap – hedged</b>				
At 31 December 2015	526,016	-	526,016	-
At 31 December 2014	630,605	-	630,605	-

#### Interest rate swap – hedged

	2015 AED '000	2014 AED '000
Current (refer note 18)	121,532	124,039
Non-current	404,484	506,566
	<u>526,016</u>	<u>630,605</u>

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

*Level 1:* quoted (unadjusted) prices in active markets for identical assets or liabilities.

*Level 2:* other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

*Level 3:* techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year, there were no transfers between Level 1, 2 and 3 fair value measurements (31 December 2014: nil).

### 21 Commitments and contingencies

#### Capital expenditure commitments

The authorised capital expenditure contracted for at the reporting date, but not provided for amounts to approximately AED 0.05 million (2014: AED 183.7 million).

#### Operating lease commitments

Future capacity payments to be received by the Company under the PWPA based on projected availability were as follows:

# Emirates Sencorp Water & Power Company PJSC

## Notes to the financial statements

### 21 Commitments and contingencies (continued)

	2015 AED '000	2014 AED '000
Within one year	737,595	617,574
After one year but not more than five years	2,974,249	2,504,652
More than five years	7,263,438	6,034,717
	<u>10,975,282</u>	<u>9,156,943</u>

### 22 Financial instruments

#### (a) Credit risk

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	2015 AED'000	2014 AED'000
Cash at bank	11	288,824	337,483
Amounts due from related parties	19	122,329	111,840
		<u>411,153</u>	<u>449,323</u>

#### (b) Liquidity risk

##### Maturity profile

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Less than 3 months AED '000	3 to 12 months AED '000	1 to 5 years AED '000	> 5 years AED '000	Total AED '000
<b>Year ended 31 December 2015</b>					
Term loan	14,351	45,837	1,385,469	2,725,509	4,171,166
Trade payables	36,505	-	-	-	36,505
Amounts due to related parties	2,553	-	-	-	2,553
Loans from shareholders	9,918	9,918	99,183	1,238,900	1,357,919
Derivative financial instruments	102,603	99,548	707,851	-	910,002
<b>Total</b>	<u>165,930</u>	<u>155,303</u>	<u>2,192,503</u>	<u>3,964,409</u>	<u>6,478,145</u>
<b>Year ended 31 December 2014</b>					
Term loan	47,892	150,422	965,351	3,072,344	4,236,009
Trade payables	49,590	-	-	-	49,590
Amounts due to related parties	38,388	-	-	-	38,388
Loans from shareholders	6,833	6,833	68,324	1,012,220	1,094,210
Derivative financial instruments	104,209	100,558	887,954	-	1,092,721
<b>Total</b>	<u>246,912</u>	<u>257,813</u>	<u>1,921,629</u>	<u>4,084,564</u>	<u>6,510,918</u>

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

# Emirates Sencorp Water & Power Company PJSC

## Notes to the financial statements

### 22 Financial instruments (continued)

	<i>Less than 3 months AED '000</i>	<i>3 to 12 months AED '000</i>	<i>1 to 5 years AED '000</i>	<i>Total AED '000</i>
<b>Year ended 31 December 2015</b>				
Inflows	39,938	38,750	275,530	354,218
Outflows	<u>(102,603)</u>	<u>(99,548)</u>	<u>(707,851)</u>	<u>(910,002)</u>
Net	<u>(62,665)</u>	<u>(60,798)</u>	<u>(432,321)</u>	<u>(555,784)</u>
Discounted at the applicable interbank rates	<u>(62,003)</u>	<u>(59,529)</u>	<u>(404,484)</u>	<u>(526,016)</u>
<b>Year ended 31 December 2014</b>				
Inflows	40,089	38,685	341,598	420,372
Outflows	<u>(104,209)</u>	<u>(100,558)</u>	<u>(887,954)</u>	<u>(1,092,721)</u>
Net	<u>(64,120)</u>	<u>(61,873)</u>	<u>(546,356)</u>	<u>(672,349)</u>
Discounted at the applicable interbank rates	<u>(63,447)</u>	<u>(60,591)</u>	<u>(506,567)</u>	<u>(630,605)</u>

#### (c) Currency risk

Management considers that the Company is not exposed to significant currency risk. The majority of their transactions and balances are in either UAE Dirhams or US Dollars. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

#### (d) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term deposits, term loan and shareholder loans. To manage this, the Company enters into interest rate swaps, in which the 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. At 31 December 2015, after taking into account the effect of the interest rate swaps, 100% of the Company's borrowings are at a fixed rate of interest (2014: 100%). The notional amount outstanding at 31 December 2015 was US Dollars 990 million (AED 3,638 million) (2014: US Dollars 1,030 million (AED 3,786 million)). At 31 December 2015, the fixed rates varied from 3.62% to 5.85% (2014: 3.62% to 5.85%). The floating interest rate is LIBOR. The derivative instruments which are entered into for the purpose of cash flow hedge had a negative fair value of AED 526 million at 31 December 2015 (2014: AED 631 million), of which AED 404 million (2014: AED 507 million) was included separately in the statement of financial position and the current portion amounting to AED 122 million (2014: AED 124 million) is included within accruals and other liabilities (note 18).

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit for the year (through the impact on shareholder loans and short term deposits):

	Effect on profit AED '000	Effect on equity AED '000
<b>2015</b>		
+15 increase in basis points	241	-
-15 decrease in basis points	(241)	-
<b>2014</b>		
+15 increase in basis points	(177)	28,505
-15 decrease in basis points	177	(28,770)

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### (e) Accounting classifications and fair values of financial assets and liabilities

All of the Company's financial instruments fall with the category of loans and receivables. The fair values of these financial assets and liabilities approximate their carrying values as stated in the statement of financial position.

In the process of applying the Company's accounting policies, which are detailed in note 3, management has made the following judgements which have had the most significant effect on the amounts of assets and liabilities recognised in the financial statements. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Provision for obsolete inventory*

The Company reviews its inventory to assess losses on account of obsolescence on a regular basis. In determining whether a provision for obsolescence should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that the product is saleable in the future and its net realisable value. Accordingly, provision for impairment is made where the net realisable value is less than cost, based on best estimates by the management. The provision for obsolescence of spares is based on the ageing of the stocks and the past consumption of the stocks.

#### *Impairment of property, plant and equipment*

Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment on an annual basis because of the difference between the duration of contracted cash flows and accounting depreciation of assets. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows for the period lying beyond the term of the initial PWPA and also choose a suitable discount rate in order to calculate the present value of those cash flows.

#### *Useful lives of property, plant and equipment*

Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary.

#### *Hedge accounting*

It is the Company's policy to document, at the inception of a hedge, the relationship between hedging instruments and hedged items, as well as risk management objective and strategy. The policy also requires documentation of the assessment, at inception and on an ongoing basis of the effectiveness of the hedge. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the entity revokes the designation. In 2010, the Company revoked the hedge on certain derivatives. Management has reviewed the criteria under IAS 39 and is satisfied with the treatment.

#### *Derivative financial instruments*

The fair values of derivative financial instruments measured at fair value is generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

# Emirates Sembcorp Water & Power Company PJSC

## Notes to the financial statements

### 23 Accounting estimates and judgements (continued)

#### *Accounting under Power and Water Purchase Arrangements ("PWPA")*

The Company has entered into a long term PWPA with a subsidiary of the parent. In accounting for this arrangement, the Company has determined the PWPA to be a lease as the possibility that another party will take more than an insignificant amount of the asset's output during the term of the arrangement is remote, and the price paid by the Company for the output is neither a contractually fixed price per unit of output nor the market price per unit of output. Further, management has concluded that this arrangement is in the nature of operating lease since it does not transfer substantially all the risks and rewards incidental to ownership of the asset.

### 24 Insurance claim

During May 2014, Gas Turbine 5 ("GT5") experienced a compressor damage which made the unit unavailable for a period of 134 days. The GT5 was back to operation in early October 2014.

The incident was covered by the Company's insurance policy on property damage and business interruption. The insurance company will reimburse the property damage subject to a deductible of USD1 million, and compensate business interruption loss, subject to a deductible of 60 days revenue.

During 2014, the Company claimed an amount of AED 92,536 thousand, out of which AED 48,983 thousand has been received during 2014 itself and the remaining balance of AED 43,553 thousand was included within prepayments and other assets. This remaining amount was received by the Company during the year.

Other income of AED 32,092 thousand in the year 2014 includes the insurance claim for business interruption and property damage, net of i) loss on disposal of the damaged property, plant and equipment amounting to AED 42,115 thousand, and ii) freight and other costs incurred as a result of the event.

During the year, other income included gain on disposal of property, plant and equipment and other miscellaneous income.



## **BOARD OF DIRECTORS' REPORT FOR FY 2015**

**Dear Shareholders,**

The Board of Directors of Emirates Sembcorp Water & Power Company PJSC ("ESC") is pleased to present the 8<sup>th</sup> Annual Report on the Company's business activities together with the Audited Financial Statements for the financial year ending 31 December 2015.

### **FINANCIAL HIGHLIGHTS**

**Amount shown in AED'000**

	<b>2015</b>	<b>2014</b>	<b>Change</b>
Revenue	627,171	579,099	↑ 8.3%
Supplemental Fuel Revenue	134	527	↓ -74.6%
Gross Profit	317,469	297,033	↑ 6.9%
Profit for the year	56,298	71,724	↓ -21.5%
Profit Margin	9%	12%	↓ -27.5%

### **I. REVIEW OF FINANCIAL PERFORMANCE**

#### **1. Revenue**

The Company's revenue has increased by 48.1 Million (8.3%) in 2015 as compared to 2014.

The water revenue has increased from AED 392.4 Million in 2014 to AED 402.6 Million in 2015 recording an increase of AED 10.2 Million. The increase is mainly from revenue from RO expansion which had PCOD on 1<sup>st</sup> December 2015 (AED 9.1 Million) and higher variable water O&M cost recovery.

The power revenue has increased from AED 186.7 Million in 2014 to AED 224.5 Million in 2015 recording an increase of AED 37.8 Million. The increase is mainly due to higher availability of 9FA in FY 2015.

#### **2. Supplemental Fuel Revenue**

The Company's supplemental fuel revenue decreased by AED 393,000 (-74.6%) in 2015 as compared to 2014 due to higher firing of Gas Turbines using Liquid Fuel in 2014 primarily for the 9FA commissioning activities. In the year 2015 there was no shortage of natural gas and hence Liquid fuel was used only for routine changeovers.



### 3. Gross Profit

The Gross profit of the Company increased by AED 20.4 Million (6.9%) mainly due to higher revenue as explained above, lower fuel expenses (AED 0.2 million) offset by higher O&M expenses (AED 22.3 million), higher depreciation on property plant and equipment (AED 4.8 million) and higher insurance cost (AED 0.4 million).

### 4. Net Profit

The Company's net profit has decreased by AED 15.4 Million in 2015 as compared to 2014.

The decrease is mainly due to higher Gross profit as explained above and higher interest income (AED 3,000) offset by higher administration expenses (AED 0.6 million), higher finance cost (AED 3.6 million), & lower other income (AED 31.8 million).

## II. BUSINESS AND OPERATIONAL REVIEW

Annual Power Availability was 96.22% and Water Availability was 96.18% for the year 2015. Both Power and Water availability's were higher than the PWPA projected availability.

Net Dependable Capacity Test (NDCT) for CY-7 was completed from 21/04/2014 10:00 hrs to 22/04/2014 10:00 hrs. F1 Plant demonstrated an excess Power of 18.99 MW and Excess Water of 1.87 MIGD.

There is no LTI during the year 2015.

During the year, the Company completed the following major corporate initiatives:-

- ESC worked with ADWEA to review and modify the existing documentation to secure our compliance to the revised Abu Dhabi EHSMS regulations. The compliance certificate was subsequently received from ADWEA/OSHAD in January 2015.
- Oil Spill Response Awareness Training was conducted in March 2015.
- Chemical Spill Mock Drill Exercise with Civil Defense was performed successfully on 12<sup>th</sup> April 2015.
- F1, together with Sembcorp Group HSE and Sembcorp Utilities UK, has conducted Process Safety Management in May 2015.
- F1 launched Safety Training Observation Program (STOP) on 3<sup>rd</sup> May 2015 and conducted the Train the Trainer program in May 2015.



- f) EHSMS 1<sup>st</sup> Internal audit was conducted from 25<sup>th</sup> to 28<sup>th</sup> May 2015 and 2<sup>nd</sup> internal audit conducted from 8<sup>th</sup> to 19<sup>th</sup> Nov 2015.
- g) F1 held its annual Safety week from 18 October 2015 to 22 October 2015 and Health Week from 15 November 2015 to 19 November 2015.
- h) As part of its Corporate Social Responsibility initiative, F1 contributed for the Civil Defence International Day 2015
- i) F1 participated for the 5<sup>th</sup> consequent time in the sponsorship of Fujairah 6<sup>th</sup> International Monodrama Festival which was organised by the Fujairah Culture and Media Authority.
- j) Under the PWPA, F1 has to achieve 15% Emiratisation by November 2011, 30% by November 2016, 45% by November 2021 and 60% by November 2026. F1 has put in a lot of effort over the past years to recruit and develop Emiratis and achieved 28.2% Emiratisation as of 31 December 2015.
- k) F1 engaged a third party consultant Booz Allen Hamilton to provide necessary consultation services for the development and Implementation of Business Continuity Management..
- l) F1 is in discussion with ADWEA regarding the NESA (Cyber security) standard requirements. Selection of the consultant for NESA standard Implementation is in process.
- m) The upgrade of the Shore Protection Project was completed by End October 2015.
- n) The new RO Project (30 MIGD) achieved PCOD on 1<sup>st</sup> December 2015

### III. DIVIDEND & APPROPRIATION OF PROFIT

As at 31 December 2015, the Company's retained earnings stand at AED230.6 Million. During the year, the Board of Directors approved Management's proposal on a cash distribution plan to shareholders of the Company amounting to USD 30.436 million, comprising of USD 10.0 million, USD 20.0 million and USD 0.436 million for dividend payment, repayment of borrowings from Shareholders and interest payment on borrowings to Shareholders respectively. The distribution to shareholders was paid out to the Shareholders on 11 September 2015 following consent from Lenders.

For the Year 2016, after considering the projected cash availability after servicing the term loans and setting aside funds for capital expenditures, the Management of the Company is targeting the following proposed cash distribution payout:-

- a) USD17.973 million for proposed repayment of borrowings from Shareholders on 1<sup>st</sup> Week of March 2016 and USD 0.099 million towards interest payment.



#### IV. BUSINESS OUTLOOK & PROPECTS

The outlook for the global economy remains fraught with uncertainties.

Despite the current worldwide economic uncertainties, the Company will strive to achieve the Budgeted FY 2016 Revenue (USD 193.059 Million) and Net Profit (USD 16.866 Million).

#### V. CORPORATE GOVERNANCE

Emirates Sembcorp is committed to maintaining the highest standards of corporate governance. Our business is conducted according to rigorous ethical, professional and legal standards, through maintaining robust corporate governance and an Employee Code of Conduct for staff. This includes transparency in reporting the Company's financial performance to enhance accountability. The Management regularly reviews the Company's operational and financial strategies and its risk management practices, with a view to ensure that the interests of the shareholders are fully protected.

#### VI. THANK YOU & APPRECIATION

We would like to thank our fellow Board members for providing strategic direction and guidance to the Company.

To our valued customers, bankers, business associates and our O&M Contractor, Sembcorp Gulf O&M Company Ltd, we thank you for your steadfast support and continued trust in us.

We would also like to express our sincere appreciation to our Shareholders for their guidance, continued interest and unwavering belief in Emirates Sembcorp to create value for the Shareholders.

On behalf of the Board, we would like to convey our gratitude to the Management and staff in F1 IWPP for their hard work and contributions over the year. We are confident that the team work and dedication of the staff will enable the Company to achieve another year of strong performance in 2016.

  
Eng. Faisal Ali Ahmed Najed  
Chairman

  
Hon Siang Juang  
Executive Managing Director

## ANNEX A: GLOSSARY OF CERTAIN GENERAL TERMS

“**CCGT**” means combined cycle gas turbine.

“**Commercial Companies Law**” means Federal Law No. (2) of 2015 concerning commercial companies (as amended).

“**CPI**” means consumer price index.

“**Definitive Bond**” means the Definitive Rule 144A Bond and the Definitive Regulation S Bond.

“**Definitive Rule 144A Bond**” means a certificated Rule 144A Bond registered in the name of the Holder thereof and issued in accordance with the Indenture, substantially in the form of Exhibit 1-1 to the Indenture and bearing the private placement legend in the specified form, except that such Rule 144A Bond shall not bear a global bond legend and shall not have the “Schedule of Aggregate Unpaid Principal Amount” attached thereto.

“**Definitive Regulation S Bond**” means a certificated Regulation S Bond registered in the name of the Holder thereof and issued in accordance with the Indenture, substantially in the form of Exhibit 1-2 to the Indenture and bearing the private placement legend in the specified form, except that such Regulation S Bond shall not bear a global bond legend and shall not have the “Schedule of Aggregate Unpaid Principal Amount” attached thereto.

“**Dispute**” means, in relation to the Indenture or the Bonds, a dispute, claim, difference or controversy arising out of, relating to or having any connection with the Indenture or the Bonds, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity.

“**euro**” or “**€**” means the currency of the European Union.

“**Executive Council**” means the executive council of the Emirate of Abu Dhabi.

“**Federal Law**” means the federal law of the United Arab Emirates.

“**Fujairah Municipality**” means the municipality of the Emirate of Fujairah.

“**GCC**” means the Cooperation Council for the Arab States of the Gulf (otherwise known as the Gulf Cooperation Council).

“**GE**” means General Electric Company, a corporation organized under the laws of the State of New York, United States.

“**GEGS**” means General Electric Global Services GmbH, a company organized under the laws of Switzerland.

“**GEIOC**” means General Electric International Operations Company Inc., a corporation organized under the laws of the State of Delaware, United States.

“**Government of the Emirate of Abu Dhabi**” means the government of the Emirate of Abu Dhabi.

“**Government of the United Arab Emirates**” means the federal government of the United Arab Emirates.

“**IRS**” means the U.S. Internal Revenue Service.

“**km**” means kilometers.

“**kV**” means kilovolts.

“**kWh**” means kilowatt hour.

“**mm**” means millimeter.

“**Net Electrical Energy**” means the sum of the net electrical energy delivered by us to the Procurer at the output delivery point(s) which is the sum of the electrical energy measured at all “kWh” meters in the high-voltage gridstations, indicating positive “kWh” for exports or negative “kWh” for imports of electrical energy, plus the electrical energy supplied to the Transco pumping station and measured at the corresponding medium and low voltage switchgear feeders to such facility.

“**Net Water Output**” means the potable water delivered by us to the Procurer at the output delivery points and measured upstream of the town water tanks (including supply to the FEWA plant) minus the tapping(s) for internal water consumption of our plant.

“**O&M**” means operation and maintenance.

“**Schedule of Aggregate Unpaid Principal Amount**” means the schedule headed “Schedule of Aggregate Unpaid Principal Amount” appended to the Bond.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**Siemens**” means Siemens AG and Siemens LLC.

“**Transmission Code**” means, in relation to electricity, the Transmission Code (Electricity) issued under the Water and Electricity Law, as amended from time to time, and, in relation to water, the Transmission Code (Water) issued under the Water and Electricity Law, as amended from time to time, and the terms “**Transmission Code (Electricity)**” and “**Transmission Code (Water)**” shall be construed accordingly.

“**Transmission System**” has the meaning set forth in the Transmission Code.

“**U.A.E.**” means the United Arab Emirates.

“**United States**” or “**U.S.**” means the United States of America.

“**Water and Electricity Law**” means Abu Dhabi Law No. (2) of 1998 concerning the regulation of water and electricity sector (as amended).

## ANNEX B: GLOSSARY OF CERTAIN DEFINED TERMS USED IN THE SUMMARY OF PRINCIPAL FINANCE DOCUMENTS

“**Acceptable Credit Support**” means, at any time, an irrevocable and unconditional letter of credit or bank guarantee substantially in the form set out in the Common Terms Agreement issued in favor of the Offshore Security Trustee by an Acceptable Credit Support Provider and in respect of which we have no repayment obligations or other liability whatsoever (whether by way of indemnity, contribution, subrogation of rights or otherwise) other than in respect of fees payable thereunder up to an aggregate amount not exceeding 1.5% per annum of the face value of such Acceptable Credit Support.

“**Acceptable Credit Support Provider**” means, at any time, a bank or financial institution which has its registered head office situated in the U.A.E., Singapore or a member state of the Organisation for Economic Co-operation and Development at that time and which has the Required Credit Rating at that time.

“**Acceptable Hedging Bank**” means, at any time:

- (a) a Term Bank which has the Required Credit Rating; or
- (b) a Term Bank which has a Credit Support Provider (as defined in the relevant Senior Permitted Hedging Agreements) with the Required Credit Rating.

“**Access Road Agreement**” means the access road agreement to be entered into between us, ELNG and the Fujairah Municipality, in substantially the same form as set out in the Land Lease.

“**Accession Certificate**” means an accession certificate substantially in the form set out in the Common Terms Agreement.

“**Account Banks**” means the Offshore Account Bank and the Onshore Account Bank and “**Account Bank**” means either of them.

“**Additional Shareholder Funds**” means (without double counting):

- (a) advances made to us by our Shareholders in the form of Subordinated Advances; and/or
- (b) cash contributions made to us by our Shareholders by way of subscription for Shares that are in excess of the aggregate amounts required to be so contributed to us by our Shareholders pursuant to the Shareholders’ Direct Agreement,

in each case for the purposes of our project.

“**Advance**” means an advance (as from time to time reduced by repayment or prepayment) made, or to be made, by the Term Banks under the Term Facility or by the Working Capital Banks under the Working Capital Facility Agreement, as the case may be.

“**Affiliate**” means, in relation to any person, a Subsidiary of that person, a Holding Company of that person or any Subsidiary of that Holding Company.

“**Agents**” means the Global Facility Agent, the Term Facility Agent, the Bond Trustee, the Security Trustees and the Account Banks and “**Agent**” means any of them.

“**Annual Operating Budget**” means the annual operating budget to be submitted by us in accordance with “*Summary of Principal Finance Documents—Common Terms Agreement—Information, Project Forecasts and Reports—Operating Budgets and Reports—Operating Budgets*”.

“**Applicable Law**” means any law, subordinate legislation, statute, by-law, regulation, treaty, judgment, decision, rule, executive order, decree, notice, order, circular, code of practice or guidance note (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) or injunction of, or made by, any Competent Authority (including the Transmission Code (Electricity) and the Transmission Code (Water) (each as defined in the PWPA)).

“**Applicable Margin**” means, in relation to a Term Advance:

- (a) until October 15, 2019, 85 bps;
- (b) thereafter until October 15, 2024, 100 bps; and
- (c) thereafter until the Term Final Maturity Date, 120 bps.

“**Applicable Maximum Debt**” means in respect of the Senior Permitted Hedging Agreements for any period, 100.15% of the maximum aggregate principal amount that could be outstanding during that period under the Senior Debt (other than the Bonds subject to a fixed rate of interest and any other Senior Debt subject to fixed rate interest).

“**Assumptions**” means the Economic Assumptions and the Technical Assumptions.

“**Auditors**” means KPMG Lower Gulf Limited or such other internationally recognized firm of independent auditors licensed to practice in the U.A.E. as may from time to time be appointed by us with the prior approval of the Global Facility Agent (such approval not to be unreasonably withheld or delayed).

“**Authorized Investments**” means at any time any of the following:

- (a) a freely negotiable and marketable debt security, which is denominated in U.S. dollars and is issued by a sovereign government with a long-term credit rating of at least AA issued by S&P or equivalent by Moody’s maturing less than five years from the date of purchase thereof by us and which constitutes a direct, primary and unsubordinated obligation;
- (b) a freely negotiable and marketable money market instrument or commercial paper, which in each case is denominated in U.S. dollars and which:
  - (i) is issued by an institution whose short-term debt obligations are then rated A1 or better by S&P or Prime-1 or better by Moody’s; and
  - (ii) has a maturity not exceeding 90 days;
- (c) a time deposit of an original maturity not exceeding 90 days, denominated in U.S. dollars, with:
  - (i) in the case of an investment made from moneys standing to the credit of an Offshore Project Account, a commercial bank which is authorized under the Financial Services and Markets Act 2000 to accept deposits and whose long-term debt securities are then rated A or better by S&P or equivalent by Moody’s; and
  - (ii) in the case of an investment made from moneys standing to the credit of the Onshore Deposit Account, a bank in the Emirate of Abu Dhabi whose long-term debt securities are then rated A or better by S&P or equivalent by Moody’s and which is authorized to conduct business in the U.A.E. in accordance with Federal Law No. (10) of 1980; or
- (d) any other short-term investment that may be agreed between the Global Facility Agent and us.

“**Availability Period**” means the period starting on and with effect from the date of the Working Capital Facility Agreement and ending:

- (a) in the case of the Revolving Facility, on the date falling one month prior to the Termination Date; and
- (b) in the case of the Overdraft Facility, on the Termination Date,

unless otherwise extended in writing by the Working Capital Bank and us on an annual basis.

“**Available Commitment**” means at any time, an amount equal to the Overall Limit less the Overall Loan.

“**Bond Documents**” means:

- (a) the Bonds;
- (b) the Indenture; and

- (c) any other agreement, document, instrument or deed designated as such by the Global Facility Agent, the Bond Trustee and us.

**“Bond Redemption Amount”:**

- (a) means the redemption price referred to in Section 3.2(b) (*Optional Redemption*) of the Indenture; or
  - (b) has the meaning given to it in the PWPA,
- as applicable.

**“Bond Redemption Offers”** means any offer to redeem or purchase the Bonds made pursuant to:

- (a) “*Summary of Principal Finance Documents—Common Terms Agreement—Cancellation and Prepayment—Common Mandatory Prepayment*” or “*Summary of Principal Finance Documents—Common Terms Agreement—Cancellation and Prepayment—Voluntary Prepayment and Bond Redemption*”; and
- (b) the applicable provisions of the Indenture.

**“Bond Trustee”** means Citibank, N.A., London Branch.

**“Bondholder Instruction”** means an instruction given by or on behalf of Holders of, or owners of book-entry interests in, at least 25% of the principal amount of the Outstanding Debt Securities (as such term is defined in the Indenture) in the circumstances contemplated by Section 5.4(b) (*Limitations on Suits*) of the Indenture, which instruction confirms that such instruction is given by or on behalf of the requisite percentage of Holders of, or owners of book-entry interests in, Bonds pursuant to Section 5.4(b) (*Limitations on Suits*) of the Indenture.

**“Bondholders”** means the Holders of the Bonds.

**“Bonds”** means the debt securities issued pursuant to the Indenture on or about the Effective Date.

**“Break Costs”** means the amount (if any) by which:

- (a) the interest (excluding the Applicable Margin) which a Term Bank should have received for the period from the date of receipt of all or any part of its participation in a Term Advance or Unpaid Sum to the last day of the current Interest Period in respect of that Term Advance or Unpaid Sum, had the amount of that Term Advance or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Term Bank sets out in a certificate to the Term Facility Agent, such amount being that which that Term Bank would be able to obtain by placing an amount equal to the amount of that Term Advance or Unpaid Sum received by it or the amount of the funding arranged by it (as the case may be) on deposit with a leading bank in the London interbank market for a period starting on the business day following receipt or recovery or funding and ending on the last day of the current Interest Period.

**“Calculation Date”** means:

- (a) in the context of the Common Terms Agreement, each Repayment Date and any date on which the Projected Debt Service Coverage Ratio is required to be determined pursuant to the Common Terms Agreement; and
- (b) in the context of the Working Capital Facility Agreement:
  - (i) the date of the Working Capital Facility Agreement and each anniversary thereof during the Availability Period;
  - (ii) each date a Withdrawal is made; and
  - (iii) each Drawdown Date.

**“Calculation Date Exchange Rate”** means the dirham/U.S. dollar exchange rate used to calculate the dirham amount of the Termination Payment on the Calculation Date.

**“Calculation Period”** means each period commencing on the date immediately succeeding a Calculation Date and ending on the next succeeding Calculation Date.

**“Capital Compensation Proceeds”** means:

- (a) all Insurance Proceeds other than:
  - (i) Revenue Compensation Proceeds; and
  - (ii) Third Party Insurance Proceeds;
- (b) all consideration received by us in respect of the condemnation, nationalization, expropriation or compulsory purchase (or analogous event) of our project or any material part thereof or any material interest therein;
- (c) any sum paid to us or for our account in respect of the release, inhibition, modification, suspension or extinguishment of any rights, easements or covenants enjoyed by or benefiting any of the Project Assets, or the imposition of any restrictions affecting any of the Project Assets, or the grant of any easements or rights over or affecting the Project Assets or any part of them;
- (d) any sum paid to us or for our account in respect of the refusal, revocation, suspension or modification of any Consent and, with respect to the Senior Facility Banks only, Environmental Consent;
- (e) all compensation (other than in respect of scheduled capacity and output payments under the PWPA and PWPA Termination Amounts) received by us under the PWPA (unless to compensate us for actual additional capital or operating costs or liabilities payable to third parties);
- (f) any PWPA Termination Amount; and
- (g) any other amounts designated from time to time as Capital Compensation Proceeds by the Global Facility Agent and us.

**“Capital Costs”** means all costs, expenses and liabilities of a capital (but not an operating) nature which are provided for in the then current Annual Operating Budget excluding:

- (a) the Secured Obligations;
- (b) amounts payable by us in respect of our Financial Indebtedness; and
- (c) any Heat Reclaimer Costs.

**“Cash Application Date”** means the first business day of each calendar month.

**“Commitment”** means US\$20,000,000 or the dirham equivalent as reduced under the Working Capital Facility Agreement from time to time.

**“Common Covenant”** means any obligation of ours pursuant to the terms of the Finance Documents other than any Facility/Indenture Covenants.

**“Common Event of Default”** means each Event of Default other than a Facility/Indenture Event of Default.

**“Common Finance Documents”** means:

- (a) the Global Amendment and Restatement Agreement;
- (b) the Common Terms Agreement;
- (c) each Security Document;
- (d) each Reserve Letter of Credit; and
- (e) each Fee Letter (other than any Fee Letter relating to the Term Facility Agent or the Bond Trustee).

**“Common Terms Agreement”** means the agreement to be entered into on or around the Effective Date among us and, *inter alia*, the Global Facility Agent, the Term Facility Agent, the Bond Trustee and the Term Banks.

**“Company Share Pledge Agreements”** means:

- (a) the share pledge agreement dated November 22, 2006 as amended and restated on the Effective Date between us, SGHoldCo and the Onshore Security Trustee; and
- (b) the share pledge agreement dated November 22, 2006 as amended and restated on the Effective Date between us, UPHoldCo and the Onshore Security Trustee,

and **“Company Share Pledge Agreement”** means either of them.

**“Competent Authority”** means any local, national or supranational government, agency, authority, regulatory body, department, inspectorate, minister, instrumentality, court, tribunal or public or statutory person (whether autonomous or not) or, in each case, any agency or subdivision thereof, of the Emirate of Abu Dhabi, the Emirate of Fujairah or of the U.A.E. or any other jurisdiction which has jurisdiction over us, all or part of our project or all or part of the subject matter of any of the Transaction Documents.

**“Computer Model”** means the financial model referred to in *“Summary of Principal Finance Documents—Common Terms Agreement—Information, Project Forecasts and Reports— Computer Model”* as the same may be revised or replaced from time to time in accordance with the provisions set forth in *“Summary of Principal Finance Documents—Common Terms Agreement—Information, Project Forecasts and Reports— Computer Model—Revisions to Computer Model”*.

**“Connection Agreement”** means the connection, use of system and interface agreement for the Plant between UWEC and Transco dated October 1, 2005, as assigned to us by UWEC on September 26, 2006, and as amended from time to time.

**“Consent”** means any approval, authorization, lease, license, franchise, permit, resolution, consent, exemption, certificate, ruling, order, filings, registration or enrolment which is required by Applicable Law or any other Consent or which should be obtained in accordance with Good Industry Practice, including those consents listed in the Common Terms Agreement.

**“Contract Year”** has the meaning set forth in the O&M Agreement.

**“Contracted Power Capacity”** has the meaning set forth in the PWPA.

**“Contracted Water Capacity”** has the meaning set forth in the PWPA.

**“Contractual Services Agreement”** means the contractual services agreement between the Operator and GEIOC dated October 10, 2006, as assigned, by way of a letter of assignment dated 15 March 2016, to GEGS.

**“Control”** by one person (the **“Controlling Company”**) of another person (the **“Controlled Company”**) means that the Controlling Company:

- (a) beneficially owns, directly or indirectly, more than half of the voting rights in the share capital of the Controlled Company; or
- (b) is able to direct the affairs and/or control the board of directors or equivalent management body of the Controlled Company.

**“CSA Direct Agreement”** means the direct agreement dated November 10, 2006 between us, the Operator, the CSA Contractor and the Onshore Security Trustee, as amended and restated on the the Effective Date.

**“DBO Agreement”** means the design, build and operate agreement relating to the New RO Plant dated January 15, 2013 between us and the DBO Contractor.

**“DBO Contractor”** means an unincorporated joint venture between Acciona Agua S.A. and Acciona Infraestructuras S.A.

**“DBO Direct Agreement”** means the direct agreement to be entered into on or around the Effective Date between us, the DBO Contractor and the Onshore Security Trustee.

**“Debt Service Coverage Ratio”** or **“DSCR”** means, for any period, the ratio of:

- (a) Net Revenues during that period; to
- (b) Scheduled Debt Service (excluding any Senior Financing Costs incurred under the Working Capital Facility Agreement) during that period.

**“Debt Service Reserve Account”** or **“DSRA”** means the account held with the Offshore Account Bank in our name and designated “Emirates Sembcorp Water & Power Company PJSC – Debt Service Reserve Account” as such account may be renewed, redesignated, recoded or renumbered from time to time.

**“Default”** means:

- (a) an Event of Default; or
- (b) a Potential Event of Default.

**“Deposit Accounts”** means the Offshore Deposit Account and the Onshore Deposit Account and **“Deposit Account”** means either of them.

**“Diesel Storage Contract”** means the storage contract for diesel oil dated March 15, 2003 between Vopak and us.

**“Direct Agreements”** means:

- (a) the Foreign Exchange Agreement;
- (b) the Procurer Credit Support Direct Agreement;
- (c) the O&M Direct Agreement;
- (d) the DBO Direct Agreement;
- (e) the PWPA Direct Agreement;
- (f) the Lease Direct Agreement;
- (g) the Shareholders’ Direct Agreement;
- (h) the Transco Direct Agreement;
- (i) the CSA Direct Agreement; and
- (j) the Letter of Undertaking.

**“Distribution Account”** means an account denominated in U.S. dollars and/or dirhams with such bank or banks as we may select for the purpose of receiving payments made in accordance with the Common Terms Agreement.

**“Drawdown Date”** means the date, being a business day, on which a Revolving Advance is, or is to be, drawn down.

**“Drawdown Notice”** means, in connection with a drawdown under the Revolving Facility, a notice substantially in the form attached to the Working Capital Facility Agreement duly completed by us.

**“DSRA Balance”** means at any time the aggregate of:

- (a) the balance standing to the credit of the Debt Service Reserve Account at that time; and
- (b) the aggregate at such time of the amounts of any DSRA Credit Support available to be called by the Offshore Security Trustee.

**“DSRA Credit Support”** means the Acceptable Credit Support denominated in U.S. dollars and issued on terms that it is payable or callable as contemplated by the Common Terms Agreement.

**“DSRA Required Balance”** means on any Repayment Date, the Scheduled Debt Service during the six-month period succeeding such Repayment Date as determined in accordance with the Common Terms Agreement (in each case assuming for the purpose of calculating Senior Financing Costs payable under the Working Capital Facility that an amount equal to 50% of the Total Working Capital Commitments under the Working Capital Facility is drawn throughout the relevant period).

**“EBOR”** means either:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for dirhams or for the Interest Period of the debit balance on the Overdraft Account or Revolving Advance) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Working Capital Bank at its request quoted by the Reference Bank(s) to leading banks in the United Arab Emirates interbank market,

as at the Specified Time on the Quotation Day for the offering of deposits in dirhams and for a period comparable to the Interest Period for that debit balance on the Overdraft Account or Revolving Advance.

**“Economic Assumptions”** means, in relation to a Project Forecast, the economic assumptions determined in accordance with *“Summary of Principal Finance Documents—Common Terms Agreement—Information, Project Forecasts and Reports—Project Forecasts”* and any other assumptions, other than the Technical Assumptions, necessary to prepare that Project Forecast.

**“Effective Date”** means the date on which the Global Facility Agent confirms that all conditions to the effectiveness of the Global Amendment and Restatement Agreement have been satisfied or waived to the satisfaction of the Global Facility Agent and receives the Bond SWIFT Confirmation (as defined in the Global Amendment and Restatement Agreement).

**“EIA”** means the environmental impact assessment in respect of our project prepared by Dome International LLC and incorporating the environmental baseline report required pursuant to applicable provisions of the PWPA, and including any written clarification given to the Technical Adviser in relation thereto.

**“Emergency”** means a condition or situation which in our reasonable opinion:

- (a) materially and adversely affects, or is reasonably likely to materially and adversely affect, our ability to operate the Plant safely and in accordance with Good Industry Practice; or
- (b) presents, or is reasonably likely to present, a physical threat to persons or property or the security, integrity or reliability of the Plant.

**“Enforcement Action”** means any right or action (other than the exercise of any rights of inspection of any asset) that a Secured Finance Party is entitled to exercise or take (or is entitled to instruct any Agent, any Security Trustee or any Account Bank to take) following the occurrence of an Event of Default to:

- (a) declare that all or part of any amounts outstanding under the Finance Documents be immediately due and payable or declare amounts outstanding under the Finance Documents to be due and payable on the demand of the Global Facility Agent;
- (b) suspend or terminate any Working Capital Commitment under any Finance Document or accelerate any payment thereunder;
- (c) institute proceedings, make a demand for payment under a guarantee or make a demand for cash collateral under a guarantee, in each case in accordance with the terms of the Finance Documents;
- (d) give us and the Account Banks notice (which notice shall be binding on us and the Account Banks) that no further payments shall be made from any Project Account without the prior consent of the Global Facility Agent;

- (e) exercise any step-in rights or other right (only after any step-in-rights have arisen) under any Direct Agreement which are stated to be exercised following the occurrence of an Event of Default;
- (f) exercise any right to take action or make any claim against us (other than a demand for payment in accordance with the terms of the Finance Documents);
- (g) exercise all or any of their rights in respect of, or under, the Security and the Security Trustees will immediately be entitled to exercise all such rights;
- (h) exercise all or any of their rights in respect of the Reserve Letter of Credit or any other letters of credit, and the Security Trustees will immediately be entitled to exercise all such rights;
- (i) take possession of any Project Asset;
- (j) “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters—Decision Making Process—No Independent Action*”; and/or
- (k) enforce any other rights against an Obligor under a Finance Document following the occurrence of an Event of Default.

“**ENOC**” means Emirates National Oil Company LLC.

“**Environmental Claim**” means, with respect to any person, any notice, claim, demand or similar communication by any other person alleging a breach of or alleging potential liability for investigatory costs, clean-up costs, governmental response costs, natural resource damages, property damages, personal injuries, fines or penalties arising out of, based on or resulting from or in connection with any Environmental Matters or any breach, or alleged breach, of an Environmental Law:

- (a) with respect to the Senior Facility Banks only, pursuant to any Environmental Law, Environmental Consent, World Bank Environmental Standards or the Environmental Management Plan; and
- (b) with respect to the Bondholders only, pursuant to any Environmental Law.

“**Environmental Consent**” means:

- (a) with respect to the Senior Facility Banks only, any Consent required under any Environmental Law, World Bank Environmental Standards or the Environmental Management Plan; and
- (b) with respect to the Bondholders only, any Consent required under any Environmental Law.

“**Environmental Contaminant**” means any substance or emission whatsoever (whether natural or artificial, in a solid or liquid form or in the form of a gas or vapor and whether alone or in combination with any other substance) or waste that is capable of causing harm to man or any other living organism supported by the environment, or damaging the environment or public health or welfare, including any controlled, special, hazardous, toxic, radioactive or dangerous substance or waste.

“**Environmental Law**” means:

- (a) with respect to the Senior Facility Banks only, the World Bank Environmental Standards and Applicable Law; and
- (b) with respect to the Bondholders only, Applicable Law,

in each case, with regard to Environmental Matters and any orders, notices, demands, codes of practice, circulars, guidance notes or injunctions pursuant to the same made or issued by any Competent Authority which are binding and enforceable.

“**Environmental Management Plan**” or “**EMP**” means the environmental management plan prepared by us in relation to our project, as amended from time to time as described in “*Summary of Principal Finance Documents— Amended and Restated Term Facility Agreement—Covenants—Positive Covenants—Environmental Management Plan*”.

“**Environmental Matters**” means any of the following:

- (a) any release, emission, entry or introduction into the air of any Environmental Contaminants including the air within buildings and other natural or man-made structures above or below ground;
- (b) any discharge, release or entry into water of any Environmental Contaminants including into any river, watercourse, lake or pond (whether natural or artificial or above or below ground) or reservoir, or the surface of the riverbed or of other land supporting such waters, ground waters, sewers or the sea;
- (c) any release, deposit, keeping or disposal in land or on land whether or not covered by the sea or other waters of any Environmental Contaminants;
- (d) any deposit, disposal, keeping, treatment, importation, production or carrying of any waste, including any substance which constitutes a scrap material or an effluent or other unwanted surplus substance arising from the application of any process or activity (including making it re-usable or reclaiming substances from it) and any substance or article which requires to be disposed of as being broken, worn out, contaminated or otherwise spoiled;
- (e) nuisance, noise, defective premises, health and safety at work, preservation or protection of the natural environment or of man or any living organisms supported by the environment; or
- (f) with respect to the Senior Facility Banks only, any other matter whatsoever directly affecting the environment or any part of it or otherwise covered in the World Bank Environmental Standards or the Environmental Management Plan.

**“Equator Principles Trigger Event”** means:

- (a) any failure of ours to comply with “*Summary of Principal Finance Documents—Amended and Restated Term Facility Agreement—Covenants—Positive Covenants—Environmental Management Plan*” (other than paragraph (a) thereof); or
- (b) any failure of ours to comply with paragraph (a) of “*Summary of Principal Finance Documents—Amended and Restated Term Facility Agreement—Covenants—Positive Covenants—Environmental Management Plan*” if:
  - (i) within 30 days of us receiving notice from the Term Facility Agent of such failure or, if earlier, from the date we became aware of such failure (or such longer period as the Term Facility Agent may agree, acting in consultation with the Technical Adviser but in any event no longer than 120 days from the date of the relevant notice or becoming aware of such failure) an environmental action plan to remedy the effects of such non-compliance is not agreed by us and the Term Facility Agent; or
  - (ii) after any environmental action plan is agreed pursuant to paragraph (i), we fail to implement such environmental action plan as agreed or fail to comply with such environmental action plan.

**“Equity Liabilities”** means all present and future sums, liabilities and obligations whatsoever (actual or contingent, joint or several or joint and several) payable, owing, due or incurred by us to any Shareholder or any Parent Guarantor whether by contract, at law or in equity, whether or not matured and whether or not liquidated, other than:

- (a) any such sum, liability or obligation under the Land Lease;
- (b) any obligations that we may have to reimburse the Operator Parent Company Guarantor due to an overpayment under the Operator Parent Company Guarantee; and
- (c) any amount payable by us to SGHoldCo or SCU in respect of project management and staff secondment costs that have been included in the then current Annual Operating Budget.

**“Equity Percentage”** means, in relation to the Local Shareholder, 60% and, in relation to the International Shareholder, 40%.

**“Event of Default”** means, in the context of the Common Terms Agreement, any circumstances described as such in the provisions described under “*Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default*”.

**“Event of Force Majeure”** has the meaning set forth in the PWPA.

**“Event of Government Action or Inaction”** has the meaning set forth in the PWPA.

**“Events of Default”** means, in the context of the Term Facility Agreement, Term Events of Default or Common Events of Default.

**“Excluded Tax”** means, with respect to any Tax assessed on a Finance Party, any Tax payable:

- (a) under the law of the jurisdiction in which that person is incorporated or, if different, the jurisdiction (or jurisdictions) in which that person is treated as resident for Tax purposes; and
- (b) under the law of the jurisdiction in which that person’s Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that person.

**“F1 Project Amendment and Restatement Agreement”** means the amendment and restatement agreement to be entered into on or around the Effective Date in relation to the amendment of certain Project Documents.

**“Facility Agreement”** means each of:

- (a) the Term Facility Agreement; and
- (b) the Working Capital Facility Agreement.

**“Facility/Indenture Covenant”** means our obligations contained in:

- (a) the Term Facility Agreement;
- (b) the Indenture;
- (c) any Fee Letters; and
- (d) any provision or part of a provision of the Common Terms Agreement that is expressed to be with respect to, or in respect of, the Senior Facility Banks only and/or which does not confer any right or benefit or impose any obligation on any Bondholder, the Bond Trustee or any agent or trustee acting on behalf of the Bondholders pursuant to the Finance Documents.

**“Facility/Indenture Event of Default”** means an Event of Default as defined in a Facility Agreement or the Indenture.

**“Facility/Indenture Specific Decision”** means any amendment, waiver or decision relating to:

- (a) a Term Event of Default; or
- (b) a particular Facility Agreement or the Indenture that:
  - (i) does not affect the rights or obligations of any Secured Finance Party who is not a party to that Facility Agreement or the Indenture; or
  - (ii) is solely to correct a manifest error or is of a technical or administrative nature.

**“Facility Office”** means in relation to the Global Facility Agent or any Senior Facility Bank, the office identified in the Common Terms Agreement (or, in the case of a Transferee, at the end of the Transfer Certificate or, as the case may be, Accession Certificate to which it is a party) or such other office as it may from time to time select in accordance with the Common Terms Agreement.

**“Facility Specific Decision”** means any amendment, waiver or decision relating to the Term Facility Agreement that:

- (a) does not affect the rights or obligations of any Finance Party who is not a party to the Term Facility Agreement; or
- (b) is solely to correct a manifest error or is technical or administrative in nature.

**“FATCA”** means:

- (a) sections 1471 to 1474 of the Code or any associated regulations or other official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a); and
- (c) any agreement pursuant to the implementation of paragraph (a) or (b) with the IRS, the government of the United States or any governmental or taxation authority in any other jurisdiction.

**“FATCA Deduction”** means a deduction or withholding from a payment under a Finance Document required by FATCA.

**“Fee Letter”** means any fee letter entered into on or after the Effective Date between:

- (a) an Agent (other than the Bond Trustee); and
- (b) us.

**“Finance Documents”** means:

- (a) the Global Amendment and Restatement Agreement;
- (b) the U.A.E. Amendment and Restatement Agreement;
- (c) the Common Terms Agreement;
- (d) each Facility Agreement;
- (e) each Bond Document;
- (f) each Senior Permitted Hedging Agreement;
- (g) each Security Document;
- (h) each Reserve Letter of Credit;
- (i) each Fee Letter;
- (j) each Transfer Certificate relating to the Term Facility; and
- (k) any other agreement, document or deed designated as such by the Global Facility Agent with our prior consent (such consent not to be unreasonably withheld or delayed).

**“Finance Parties”** means:

- (a) each Agent (other than the Bond Trustee) acting in its capacity as agent for any Senior Facility Bank and/or Senior Hedging Bank;
- (b) each Security Trustee acting in its capacity as trustee for the Secured Finance Parties;
- (c) each Account Bank;
- (d) each Senior Facility Bank;
- (e) each Senior Hedging Bank;
- (f) the Bond Trustee on behalf of the Bondholders; and
- (g) each Bondholder.

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

**“Financial Statements”** means, in respect of any person, the cashflow statement, balance sheet, profit and loss account and disclosure of material liabilities relating to such person.

**“First Offshore Deed of Charge and Assignment”** means the deed of charge and assignment dated November 10, 2006 between us, the Offshore Account Bank and the Offshore Security Trustee.

**“Fitch”** means Fitch Ratings.

**“Fixed Price Payment”** has the meaning set forth in the O&M Agreement.

**“Foreign Exchange Agreement”** means the foreign exchange agreement dated November 22, 2006 between the Government of the Emirate of Abu Dhabi, the Security Trustees and us, as amended and restated on the Effective Date.

**“Fujairah 1 IWPP Plant”** or **“Plant”** has the meaning given to it in the PWPA.

**“Fundamental Events of Default”** means any Event of Default under *“Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default—Non-Payment”*, *“Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default—Procurement Credit Support”*, *“Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default—Insolvency Events”* and *“Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default—Governmental Intervention”*.

**“Global Amendment and Restatement Agreement”** means the amendment and restatement agreement to be entered into on or around the Effective Date in relation to the amendment of certain Finance Documents.

**“Global Facility Agent”** means Sumitomo Mitsui Banking Corporation.

**“Good Industry Practice”** means standards, practices, methods and procedures complying with Applicable Law, Environmental Law and all Consents and, with respect to the Senior Facility Banks only, Environmental Consent required to have been obtained in accordance with *“Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Positive Covenants—Consents”* and with that degree of skill, diligence, judgment, prudence and foresight which would ordinarily be expected from an international skilled and experienced owner, contractor, equipment manufacturer or, as the case may be, operator engaged in designing, engineering, constructing, developing, commissioning, repairing, refurbishing, operating, insuring and/or maintaining power and/or sea water desalination plants, taking into account local conditions.

**“Heat Reclaimer Completion Date”** means that date upon which the final payment in full of all amounts under the Heat Reclaimer Procurement and Construction Contract has been made by us and no further Heat Reclaimer Costs amounts remain outstanding.

**“Heat Reclaimer Deficiency”** means any actual or anticipated amount payable under the Heat Reclaimer Procurement and Construction Contract in excess of the amounts payable as total consideration to the contractor under the Heat Reclaimer Procurement and Construction Contract as fixed in the Heat Reclaimer Procurement and Construction Contract on the effective date of such contract.

**“Heat Reclaimer Costs”** means all costs, expenses and liabilities arising out of or in connection with the Heat Reclaimer Procurement and Construction Contract and all related costs.

**“Heat Reclaimer Procurement and Construction Contract”** means the contract to be entered into between us and a reputable international contractor on the same terms as the scope of works delivered by us under the applicable provision of the Global Amendment and Restatement Agreement.

**“Hedge Grace Period”** means the period commencing on the Effective Date and ending on the date immediately following the date falling 60 days after the Effective Date.

**“Hedging Agreement”** means any agreement or instrument relating to the hedging of interest rate exposure or currency exposure (including a swap, option, collar or floor) or any other derivative or risk hedging instrument, including any Hedging Transaction and any novation agreement relating to a hedging agreement.

**“Hedging Interest Payments”** means any amount of a regular nature falling due from or to us under a Senior Permitted Hedging Agreement relating to the hedging of interest rate exposure.

**“Hedging Liabilities”** means all present and future liabilities (actual or contingent) payable or owing by us to a Senior Hedging Bank in connection with a Senior Permitted Hedging Agreement, together with:

- (a) any novation, deferral or extension of any of those liabilities;
- (b) any claim for damages or restitution arising out of, by reference to or in connection with any Senior Permitted Hedging Agreement between a Senior Hedging Bank and us;
- (c) any claim flowing from any recovery by us or a receiver or liquidator thereof or any other person of a payment or discharge in respect of any of those liabilities on grounds of preference or otherwise; and
- (d) any amounts (such as post-insolvency interest) which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings.

**“Hedging Termination Payment”** means any amount falling due from us under that Senior Permitted Hedging Agreement as a direct result of the termination of one or more Hedging Transactions under that Senior Permitted Hedging Agreement.

**“Hedging Transaction”** means a Transaction (as defined in the ISDA Agreement).

**“Holders”** means:

- (a) with respect to the Senior Debt, the Senior Facility Banks; and
- (b) with respect to the Bonds, the legal owner of such Bonds as determined by reference to the provisions of the relevant Bond Document governing such Bonds,

and **“Holding”** and **“Held”** shall be construed accordingly.

**“Holding Company”** means, in relation to a person, any other person in respect of which it is a Subsidiary.

**“IFRS”** means the International Financial Reporting Standards published from time to time by the International Accounting Standards Board, *provided that*, if at any time, the International Accounting Standards Board ceases to publish such standard, **“IFRS”** shall mean generally accepted accounting standards, policies and procedures in the United States.

**“Increased Cost”** means:

- (a) a reduction in the rate of return under any Facility Agreement or on a Term Finance Party’s (or its Affiliates’) overall capital;
- (b) an additional or increased cost; or
- (c) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Term Finance Party or any of its Affiliates to the extent that it is attributable to that Term Finance Party funding or performing its obligations under any Finance Document.

**“Indenture”** means the indenture to be entered into on or around the Effective Date providing for the issuance of the Bonds.

**“Initiating Percentage”** means:

- (a) in respect of any Event of Default which is not a Fundamental Event of Default, Senior Debt Holder Group Representatives representing the following Senior Debt Holder Groups:

<u>Approval required</u>	<u>Period in days after the Remedies Initiation Notification Date</u>
All Senior Debt Holder Groups ..... (Senior Debt Holder Super Majority)	0 – 35
All Senior Debt Holder Groups ..... (Senior Debt Holder Majority)	36 – 150
Super Majority Senior Debt Holders ..... (Senior Debt Holder Simple Majority)	151 – 270
Any Senior Debt Holder Group ..... (Senior Debt Holder Simple Majority)	271 and thereafter

- (b) in respect of any Event of Default which is a Fundamental Event of Default, Senior Debt Holder Group Representatives representing the following Senior Debt Holder Groups:

<u>Approval required</u>	<u>Period in days after the Remedies Initiation Notification Date</u>
All Senior Debt Holder Groups ..... (Senior Debt Holder Majority)	0 - 60
Any Senior Debt Holder Group ..... (Senior Debt Holder Majority)	61 and thereafter

**“Insolvency Proceedings”** means bankruptcy, winding up, receivership, administration, dissolution, voluntary arrangement or any similar or equivalent proceedings in any relevant jurisdiction (other than for the purposes of an amalgamation or reconstruction whilst solvent on terms previously approved by the Senior Debt Holder Group Representatives representing the Majority Senior Debt Holders pursuant to the terms of the Finance Documents).

**“Insurance Adviser”** means Structured Finance Practice Marsh Ltd or such other insurance adviser as may from time to time be appointed by the Global Facility Agent (following consultation with us).

**“Insurance and Compensation Account”** means the account held with the Offshore Account Bank in our name and designated “Emirates Sembcorp Water & Power Company PJSC – Insurance and Compensation Account” as such account may be renewed, redesignated, recoded or renumbered from time to time.

**“Insurance Broker”** means Marsh Inso LLC or such other firm of insurance brokers as may be appointed by us.

**“Insurance Proceeds”** means all proceeds of the Insurances or Reinsurances received or receivable by us.

**“Insurances”** means each of the insurances or reinsurances taken out or maintained (or required to be taken out or maintained) by us or on our behalf in accordance with “*Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Positive Covenants—Insurances*” and any other insurances or reinsurances taken out or maintained (or required to be taken out or maintained) by us or on our behalf from time to time in accordance with the Common Terms Agreement.

**“Intercreditor Provisions”** means the matters set forth under “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters*”.

**“Interest Payment Date”** means:

- (a) in the context of the Common Terms Agreement, each date on which any interest is payable in respect of any Senior Debt in accordance with the terms of the Term Facility Agreement and/or the Bond Documents; and
- (b) in the context of the Working Capital Facility Agreement:
  - (i) in the case of the debit balance on the Overdraft Account, the last day of an Interest Period; or
  - (ii) in the case of the Revolving Loan, the Maturity Date.

**“Interest Period”** means:

- (a) in the context of the Common Terms Agreement, the interest period set forth in each Facility Agreement;
- (b) in the context of the Term Facility Agreement, in relation to a Term Advance, each period determined in accordance with the applicable provisions of the Term Facility Agreement and, in relation to an Unpaid Sum, each period determined in accordance with “*Summary of Principal Finance Documents— Amended and Restated Term Facility Agreement—Interest*”; and
- (c) in the context of the Working Capital Facility Agreement, either:
  - (i) in the case of the debit balance on the Overdraft Account, each calendar month; or
  - (ii) in the case of the Revolving Loan, each Term.

**“Interpolated Screen Rate”** means, in relation to any Term Advance, the rate which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Term Advance; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Term Advance,

each as of the Specified Time.

**“ISDA”** means the International Swap and Derivatives Association, Inc.

**“ISDA Agreement”** means the ISDA 1992 Master Agreement (Multi-Currency – Cross Border).

**“ISDA Definitions”** means, as applicable, the 2000 ISDA Definitions as published by ISDA (as amended and supplemented up to and including the date of the Common Terms Agreement) or the 1998 FX and Currency Option Definitions (as published by ISDA, the Emerging Markets Traders Association and the Foreign Exchange Committee) and the 2006 ISDA Definitions (as published by ISDA); *provided that*, in the event of any inconsistency between the 1998 definitions and the 2006 definitions, the 1998 definitions shall prevail.

**“Land Lease”** means the lease agreement dated September 26, 2006 between us and ADWEA, as amended and restated on the Effective Date.

**“Lease Direct Agreement”** means the direct agreement dated November 22, 2006 between ADWEA, the Onshore Security Trustee and us in relation to the Land Lease, as amended and restated on the Effective Date.

“**Lease Mortgage**” means the lease mortgage dated November 22, 2006 between us and the Onshore Security Trustee, as amended and restated on the Effective Date.

“**Leased Premises**” has the meaning set forth in the PWPA.

“**Legal Reservations**” means the qualifications of law (but not of fact) set out in the legal opinions delivered pursuant to the Global Amendment and Restatement Agreement.

“**Letter of Undertaking**” means the letter of undertaking dated on or about the Effective Date provided to the Global Facility Agent, the Offshore Security Trustee and the Onshore Security Trustee by the Regulation Bureau in connection with the Water Desalination and Delivery Licence.

“**LIBOR**” means, in relation to any Term Advance or any Revolving Advance in U.S. dollars, as applicable:

- (a) the applicable Screen Rate;
- (b) (if no Screen Rate is available for U.S. dollars or for the Interest Period of that Term Advance or Revolving Advance, as applicable), in respect of a Term Advance only, the Interpolated Screen Rate, or, in respect of a Revolving Advance or a Term Advance (if it is not possible to calculate the Interpolated Screen Rate), the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Term Facility Agent or the Working Capital Bank, as applicable, at its request quoted by the Reference Bank(s) to leading banks in the London interbank market,

in each case, as at the Specified Time on the Quotation Day for the offering of deposits in U.S. dollars and for a period comparable to the Interest Period for that Term Advance or that Revolving Advance, as applicable.

“**Litigation**” means legal actions, litigation, arbitration, administrative or winding up proceedings or analogous proceedings.

“**Loan**” means each of:

- (a) the Revolving Loan; and
- (b) the Overdraft Loan.

“**Maintenance Reserve Account**” or “**MRA**” means the account held with the Offshore Account Bank in our name and designated “Emirates Sembcorp Water & Power Company PJSC – Maintenance Reserve Account” as such account may be renewed, redesignated, recoded or renumbered from time to time.

“**Major Project Documents**” means the following Project Documents:

- (a) the PWPA;
- (b) the Connection Agreement;
- (c) the O&M Agreement;
- (d) the Operator Parent Company Guarantee;
- (e) the DBO Agreement;
- (f) the Shareholders’ Agreement;
- (g) the Land Lease;
- (h) the Procurer Credit Support;
- (i) the Contractual Services Agreement; and
- (j) any other agreement, document or deed if so designated as such by the Global Facility Agent with our prior consent (such consent not to be unreasonably withheld or delayed).

**“Major Project Party”** means, at any time whilst it has any present or future liability or obligation (actual or contingent) under the Finance Documents or the Project Documents:

- (a) us;
- (b) each Shareholder;
- (c) SCU;
- (d) the Operator;
- (e) the Operator Parent Company Guarantor;
- (f) the DBO Contractor;
- (g) the Procurer;
- (h) ADWEA;
- (i) the Government of the Emirate of Abu Dhabi;
- (j) the CSA Contractor;
- (k) GE;
- (l) each provider of any Reserve Letter of Credit; and
- (m) each other person that is a party to a Project Document if so designated as such by the Global Facility Agent with our prior consent (such consent not to be unreasonably withheld or delayed).

**“Majority Bondholders”** means the Holders of more than 50% of the aggregate principal amount of the Bonds then outstanding.

**“Majority Senior Debt Holders”** means, subject to the Intercreditor Provisions, the Senior Debt Holders whose share in the outstanding Senior Debt then aggregate more than 50% of the aggregate principal Senior Debt.

**“Majority Term Banks”** means at any time prior to the Term Termination Date, a Term Bank or Term Banks whose participations in the Term Facilities then outstanding aggregate more than 66 $\frac{2}{3}$ % of all the Term Facilities then outstanding.

**“Mandatory Cost”** means the percentage rate per annum calculated by the Term Facility Agent in accordance with the Term Facility Agreement.

**“Margin”** means 0.30% per annum.

**“Market Disruption Event”** means:

- (a) at or about noon in London on the Quotation Day for the relevant Interest Period, the Interpolated Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Term Facility Agent to determine LIBOR for U.S. dollars and the relevant Interest Period; or
- (b) before close of business in London on the Quotation Day for the relevant Interest Period, the Term Facility Agent receives notifications from a Term Bank or Term Banks (whose participation in a Term Advance exceeds 35% of that Term Advance) that LIBOR does not accurately reflect its cost of funding.

**“Material Adverse Effect”** means any event or circumstance, or a change in our circumstances or that of any other Major Project Party, which does, will, or could reasonably be expected to have or result in a material adverse effect on:

- (a) our business or financial condition;
- (b) the rights or interest of any of the Finance Parties under the Finance Documents;

- (c) the legality, validity, priority or enforceability of the Security; or
- (d) our ability or that of any other Major Project Party (or where such Major Project Party is substituted as agreed pursuant to the provisions of “*Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default*”, such substituted Major Project Party) to perform and comply with any of our or its, as applicable, material obligations under any of the Transaction Documents.

“**Maturity Date**” means the last day of a Term.

“**Model Auditor**” means Operis Business Engineering Limited.

“**MRA Balance**” means at any time the aggregate of:

- (a) the balance standing to the credit of the Maintenance Reserve Account at that time; and
- (b) the aggregate at that time of the amounts of any MRA Credit Support available to be called by the Offshore Security Trustee.

“**MRA Credit Support**” means the Acceptable Credit Support denominated in U.S. dollars and issued on the terms it is payable or callable as contemplated by the Common Terms Agreement.

“**MRA Required Balance**” means:

- (a) at any time while the Contractual Services Agreement is in full force and effect, zero; and
- (b) at any other time, the aggregate in relation to each gas turbine of an amount equal to the maintenance costs forecast and estimated in the then current Project Forecast to be incurred by us in relation to the then next scheduled major maintenance of such gas turbine (including both hot gas path inspections and major inspections);

*multiplied*, in relation to each gas turbine, by a fraction:

- (i) the *denominator* of which is the number of Calculation Periods from and excluding the Calculation Period (the “**First Calculation Period**”) in which the completion of the preceding scheduled major maintenance of such gas turbine has occurred to and including the Calculation Period in which the completion of the next scheduled major maintenance of such gas turbine is projected to occur in such Project Forecast; and
- (ii) the *numerator* of which is the number of Calculation Periods from and excluding the First Calculation Period to and including the Calculation Date as at which such Project Forecast is determined.

“**Net Dependable Power Capacity**” has the meaning set forth in the PWPA.

“**Net Dependable Water Capacity**” has the meaning set forth in the PWPA.

“**Net Revenues**” means, in respect of any period (without double counting) the aggregate amount of Operating Revenues and (to the extent not already included in Operating Revenues for that period) amounts withdrawn from the Maintenance Reserve Account or drawn from the MRA Credit Support in each case to pay Operating and Maintenance Costs incurred in relation to the major overhaul of each of the power units and each of the desalination units which are not payable under the Contractual Services Agreement during that period;

*less* the aggregate of:

- (a) Operating and Maintenance Costs and Capital Costs not constituting Operating and Maintenance Costs paid by us during that period;
- (b) any costs, expenses and taxes paid in relation to any Authorized Investments, and any loss incurred by us in the realization thereof during that period; and
- (c) amounts paid to the Maintenance Reserve Account during that period.

“**Non-operating Revenues**” means:

- (a) the proceeds of any Advance;
- (b) Insurance Proceeds representing the proceeds of claims under third party liability policies (to the extent that such proceeds are received in reimbursement of amounts paid by us to the relevant third party), or physical loss or damage policies or (to the extent that such compensation is not paid specifically in respect of loss of revenue) business interruption or delay in start-up policies;
- (c) moneys received by us from the subscription and payment for Shares or otherwise in connection with the issue of Shares or any interest in Shares;
- (d) the proceeds of any Subordinated Advance;
- (e) any amount which gives rise to any Financial Indebtedness;
- (f) any Capital Compensation Proceeds; and
- (g) any drawings made under any Acceptable Credit Support.

“**O&M Direct Agreement**” means the direct agreement dated November 10, 2006 between us, the Operator and the Onshore Security Trustee in relation to the O&M Agreement, as amended and restated on the Effective Date.

“**Obligors**” means us, our Shareholders, SCU and ADWEA and “**Obligor**” means any of them.

“**OFAC**” means the Office of Foreign Assets Control of the US Department of Treasury.

“**Offshore Account Bank**” means Sumitomo Mitsui Banking Corporation Europe Limited or any of their successors and assigns.

“**Offshore Deeds of Charge and Assignment**” means:

- (a) the First Offshore Deed of Charge and Assignment;
- (b) the RO Offshore Deed of Charge and Assignment; and
- (c) the Second Offshore Deed of Charge and Assignment.

“**Offshore Deposit Account**” means the account held with the Offshore Account Bank in our name and designated “Emirates Sembcorp Water & Power Company PJSC – Offshore Deposit Account” as such may be renewed, redesignated, recoded, or renumbered from time to time.

“**Offshore Operating Account**” means the account denominated in U.S. dollars or euro held with the Offshore Account Bank in our name and designated “Emirates Sembcorp Water & Power Company PJSC – Offshore Operating Account” as such account may be renewed, redesignated, recoded or renumbered from time to time.

“**Offshore Project Accounts**” means the Offshore Deposit Account, the Offshore Operating Account, the Debt Service Reserve Account, the Maintenance Reserve Account and the Insurance and Compensation Account and “**Offshore Project Account**” means any of them.

“**Offshore Security Trustee**” means Sumitomo Mitsui Banking Corporation Europe Limited or any of their successors and assigns.

“**Onshore Account Bank**” means First Abu Dhabi Bank PJSC.

“**Onshore Deposit Account**” means:

- (a) in the context of the Common Terms Agreement, the account opened by the Onshore Account Bank in our name and designated “Emirates Sembcorp Water & Power Company PJSC – Onshore Deposit Account”; and
- (b) in the context of the Working Capital Facility Agreement, the account opened in our name held with the Working Capital Bank designated “Emirates Sembcorp Water & Power Company – Onshore Deposit Account” with such number that is notified to us by the Working Capital Bank,

in each case, as such account may be renewed, redesignated, recoded or renumbered.

**“Onshore Operating Account”** means the account opened by the Onshore Account Bank in our name and designated “Emirates Sembcorp Water & Power Company PJSC – Onshore Operating Account” as such account may be renewed, redesignated, recoded or renumbered from time to time.

**“Onshore Security Trustee”** means First Abu Dhabi Bank PJSC.

**“Operating Accounts”** means the Offshore Operating Account and the Onshore Operating Account and **“Operating Account”** means either of them.

**“Operating and Maintenance Costs”** means, for any period, all operating and maintenance costs, expenses and liabilities incurred, paid or payable by us for the purposes of our project, including administrative costs, Professional Expenses, amounts payable under the O&M Agreement, amounts payable under the Contractual Services Agreement, insurance *premia*, Taxes, royalties and other similar obligations and any Capital Costs incurred by us in relation to the major overhaul of any power unit, the Existing RO Plant or any desalination unit, but excluding (for the avoidance of doubt) any Capital Costs, any Senior Financing Costs, the other Secured Obligations and Restricted Payments.

**“Operating Revenues”** means, in respect of any period at any time, all moneys which are received by us during that period in the ordinary course of our business, including amounts received by us under the PWPA, interest and other investment income arising in respect of amounts standing to the credit of the Project Accounts, and Revenue Compensation Proceeds other than Non-operating Revenues.

**“Operator Parent Company Guarantee”** means the guarantee dated September 26, 2006 issued by the Operator Parent Company Guarantor in our favour and that of others with respect to the obligations of the Operator under the O&M Agreement.

**“Operator Parent Company Guarantor”** means SCU.

**“Overall Limit”** means at any time, the Commitment.

**“Overall Loan”** means at any time, the aggregate amount of the Overdraft Loan and the Revolving Loan.

**“Overdraft Account”** means the account opened in our name held with the Working Capital Bank designated “Emirates Sembcorp Water & Power Company – Overdraft Account” with such number that is notified to us by the Working Capital Bank and used in connection with the Overdraft Facility as such account may be renewed, redesignated, recoded or renumbered.

**“Overdraft Amount”** means, at any time, the aggregate of all the Working Capital Commitments at that time.

**“Overdraft Default”** means an Event of Default in respect of which the Senior Debt Holder Group Representative acting on the instructions of the relevant Working Capital Bank has made a declaration under “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters—Defaults and Remedies—Enforcement Action under the Common Terms Agreement*”.

**“Overdraft Facility”** means a Working Capital Facility which is denominated in dirhams and made available to us by way of an overdraft on the Onshore Operating Account in an amount up to the Overdraft Amount.

**“Overdraft Loan”** means at any time, the amount of the loan outstanding under the Overdraft Facility, which shall be the debit balance (if any) on the Overdraft Account at such time.

**“Permitted Security Interest”** means:

- (a) Security Interests arising under a Security Document;
- (b) liens, encumbrances or charges arising solely by operation of law which are, or will be, discharged on or before the due date of the liability in respect of which they arose;
- (c) encumbrances which arise in the ordinary course of business where the aggregate amount secured by such encumbrances from time to time is not more than: (i) with respect to the Senior Facility Banks, US\$1,000,000; and (ii) with respect to the Bondholders, US\$3,000,000;

- (d) other liens, encumbrances or charges created with the prior written consent of the Global Facility Agent (acting on the instructions of the Majority Term Banks); and
- (e) other encumbrances expressly permitted under the Finance Documents.

“**Pipeline O&M Agreement**” means the pipeline operation and maintenance agreement (Contract No. 03-S-018) dated March 29, 2004 between ENOC, Vopak and UWEC and subsequently assigned by UWEC to the Operator.

“**Potential Event of Default**” means any event or circumstance which would (with the lapse of time, the expiry of any expressly stated grace period, the giving of notice, the making of any determination thereunder or any combination thereof) become an Event of Default.

“**Potential Term Event of Default**” means any event or circumstance which would (with the lapse of time, the expiry of any expressly stated grace period, the giving of notice, the making of any determination hereunder or any combination thereof) become a Term Event of Default.

“**Price**” has the meaning set forth in the PWPA.

“**Pro Rata**” means:

- (a) for the purposes of the application of proceeds to the Term Banks and the Bondholders pursuant to “*Summary of Principal Finance Documents—Common Terms Agreement—Cancellation and Prepayment—Common Mandatory Prepayment—Amount of Prepayment and Bond Redemption Offers*” (but not where such proceeds are being applied in accordance with limbs (i) and (ii) of the proviso to paragraph (b) of “*Summary of Principal Finance Documents—Common Terms Agreement—Cancellation and Prepayment—Common Mandatory Prepayment—Amount of Prepayment and Bond Redemption Offers*”), *pro rata* to the proportion borne by (i) each of the total Advances outstanding under the Term Facility and the total amount of the Bonds outstanding under the Bond Documents, respectively to (ii) the aggregate of the total Advances outstanding under the Term Facility and the total amount of the Bonds outstanding under the Bond Documents, together; and
- (b) for the purposes of the application of proceeds to the Term Banks pursuant to limbs (i) and (ii) of the proviso to paragraph (b) of “*Summary of Principal Finance Documents—Common Terms Agreement—Cancellation and Prepayment—Common Mandatory Prepayment—Amount of Prepayment and Bond Redemption Offers*”, *pro rata* to the proportion borne by (i) each of the total Term Loans to (ii) the total Advances outstanding under the Term Facility.

“**Pro Rata Prepayment Amount**” means, in respect of any redemption or purchase of the Bonds pursuant to “*Summary of Principal Finance Documents—Amended and Restated Term Facility Agreement—Prepayments—Bond Voluntary Redemption and Purchase Offers*”, an amount equal to the product of the Pro Rata Prepayment Factor and the aggregate principal amount of the remaining Advances of the Term Facility immediately prior to the occurrence of the relevant redemption or purchase of the Bonds.

“**Pro Rata Prepayment Factor**” means an amount equal to the quotient of:

- (a) as dividend, the aggregate principal amount of the Bonds redeemed or purchased by us pursuant to the relevant redemption or purchase of the Bonds (pursuant to “*Summary of Principal Finance Documents—Amended and Restated Term Facility Agreement—Prepayments—Bond Voluntary Redemption and Purchase Offers*” and Section 3.2 (*Tax Redemption and Redemption at the Option of the Issuer*) or Section 2.10(c) (*Cancellation; Purchase by the Issuer*) of the Indenture; and
- (b) as divisor, the aggregate principal amount of the Bonds outstanding immediately prior to the occurrence of the relevant redemption or purchase.

“**Procurer Credit Support**” means the guarantee dated November 22, 2006 issued by the Government of the Emirate of Abu Dhabi in our favor in respect of certain of the Procurer’s payment obligations under the PWPA, as amended and restated on the Effective Date.

“**Procurer Credit Support Direct Agreement**” means the direct agreement dated November 22, 2006 between the Government of the Emirate of Abu Dhabi, the Onshore Security Trustee and us, as amended and restated on the Effective Date.

“**Professional Expenses**” means the costs, fees, expenses and disbursements of engineering, legal, insurance, accounting, technical, environmental and other professional advisers in connection with our project.

“**Project Accounts**” means the Debt Service Reserve Account, the Deposit Accounts, the Insurance and Compensation Account, the Maintenance Reserve Account, the Working Capital Accounts and the Operating Accounts.

“**Project Assets**” means all assets (including land, plant, machinery, buildings and intellectual property) wheresoever situated required for the purposes of or in connection with our project, which are, or which it is intended will be, owned or controlled by us or to which we have access or from which we benefit.

“**Project Documents**” means:

- (a) the F1 Project Amendment and Restatement Agreement;
- (b) the PWPA;
- (c) the Connection Agreement;
- (d) the O&M Agreement;
- (e) the Operator Parent Company Guarantee;
- (f) the DBO Agreement;
- (g) the Shareholders’ Agreement;
- (h) the Land Lease;
- (i) the Procurer Credit Support;
- (j) the Pipeline O&M Agreement;
- (k) the Way Leave Agreement;
- (l) the Diesel Storage Contract;
- (m) the Contractual Services Agreement;
- (n) the CSA Parent Company Guarantee; and
- (o) any other agreement, document or deed designated as such by the Global Facility Agent with our prior consent (such consent not to be unreasonably withheld or delayed).

“**Project Forecast**” means each project forecast delivered by us to the Global Facility Agent pursuant to the provisions described under “*Summary of Principal Finance Documents—Common Terms Agreement—Information, Project Forecasts and Reports—Project Forecasts—Project Forecasts*” or by the Global Facility Agent to us pursuant to the provisions described under “*Summary of Principal Finance Documents—Common Terms Agreement—Information, Project Forecasts and Reports—Project Forecasts—Alternative Project Forecasts*”.

“**Project Revenues**” means, in relation to any period of time, the aggregate of:

- (a) the Operating Revenues; and
- (b) the Non-operating Revenues,

for that period.

“**Projected Debt Service Coverage Ratio**” or “**Projected DSCR**” means, for any period, the ratio of:

- (a) Net Revenues projected and estimated in the then current Project Forecast for that period; or

- (b) Scheduled Debt Service (excluding any Senior Financing Costs incurred under the Working Capital Facility Agreement) projected and estimated in the then current Project Forecast for that period,

in accordance with the applicable provisions of the Common Terms Agreement.

“**PWPA**” means the power and water purchase agreement dated July 5, 2006 between the Procurer and us, as amended and restated on the Effective Date.

“**PWPA Direct Agreement**” means the direct agreement dated November 22, 2006 between the Procurer, the Onshore Security Trustee and us in relation to the PWPA, as amended and restated on the Effective Date.

“**PWPA Scheduled Termination Date**” means the day on which the Term of the PWPA, as defined therein, expires.

“**PWPA Termination Amount**” means any amount payable to us pursuant to the provisions of the PWPA relating to the consequences of termination.

“**Quotation Day**” means:

- (a) other than for the purposes of the Working Capital Facility Agreement, in relation to any period for which an interest rate is to be determined, two business days before the first day of that period unless market practice differs in the London interbank market, in which case the Quotation Day will be determined by the Term Facility Agent in accordance with market practice in the London interbank market (and if quotations would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day will be the last of those days); and
- (b) for the purposes of the Working Capital Facility Agreement, in relation to any period for which an interest rate is to be determined in respect of the debit balance on the Overdraft Account or Revolving Advances made, or to be made two business days before the first day of that period unless market practice differs in the London or the United Arab Emirates interbank market (as applicable), in which case the Quotation Day will be determined by the Working Capital Bank in accordance with market practice in the London or the United Arab Emirates interbank market (as applicable) (and if quotations would normally be given by leading banks in the London or the United Arab Emirates interbank market (as applicable) on more than one day, the Quotation Day will be the last of those days).

“**Rating Agency**” means any of Fitch, Moody’s and S&P or any of their respective successors *provided that*, such agency is a “nationally recognized statistical rating organization” registered with the SEC.

“**Receiver**” means a receiver and/or manager and/or bankruptcy trustee (and as the context so admits, shall include an administrative receiver).

“**Reference Banks**” means:

- (a) in the context of the Term Facility Agreement, such bank or banks as may be agreed between us and the Term Facility Agent from time to time; and
- (b) in the context of the Working Capital Facility Agreement:
  - (i) in relation to LIBOR, those banks referred to in the definition of “Reference Banks” set out in the Term Facility Agreement; and
  - (ii) in relation to EBOR, the principal Abu Dhabi offices of First Abu Dhabi Bank PJSC and Abu Dhabi Commercial Bank P.J.S.C. or such other bank or banks as may be agreed between us and the Working Capital Bank from time to time.

“**Regulation Bureau**” means the Regulation and Supervision Bureau for the Electricity and Water Sector in the Emirate of Abu Dhabi.

“**Reinsurances**” means each of the reinsurances taken out or maintained (or required to be taken out or maintained) in accordance with “*Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Positive Covenants—Insurances*” or pursuant to the Term Facility Agreement, with respect to any part of any of the Insurances.

**“Relevant Instructing Parties”** means in relation to any:

- (a) matter set out in paragraphs (d) (other than paragraph (d)(x)), (e), (f) and (g) of “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters—Decision Making Process—Voting*”, each of the Senior Debt Holder Group Representatives acting on the instructions of each Senior Debt Holder Group, *provided that*, in respect of:
  - (i) the Term Facility, the Term Banks whose share in the outstanding Term Loans then aggregate 100% shall have instructed the relevant Senior Debt Holder Group Representative; and
  - (ii) the Bonds: (A) Holders of at least 90% of the outstanding principal amount of the Bonds shall have instructed the relevant Senior Debt Holder Group Representative; or (B) an Extraordinary Resolution shall have been passed directing the relevant Senior Debt Holder Group Representative;
- (b) matter set out in paragraph (d)(x) of “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters—Decision Making Process—Voting*”, each of the Senior Debt Holder Group Representatives acting on the instructions of each Senior Debt Holder Group, *provided that*, in respect of:
  - (i) the Term Facility, the Majority Term Banks shall have instructed the relevant Senior Debt Holder Group Representative; and
  - (ii) the Bonds: (A) the Majority Bondholders shall have instructed the relevant Senior Debt Holder Group Representative; or (B) an Extraordinary Resolution shall have been passed directing the relevant Senior Debt Holder Group Representative;
- (c) waiver, consent, amendment or other decision or determination relating to a Common Covenant or, subject to (d) below, a Common Event of Default, the Senior Debt Holder Group Representatives acting on the instructions of the Majority Senior Debt Holders;
- (d) waiver, consent, amendment or other decision or determination relating to a Senior Facility Bank Covenant or a Senior Facility Bank Event of Default, in each case which does not constitute a Facility/Indenture Specific Decision, the Senior Debt Holder Group Representatives acting on the instructions of the Majority Term Banks;
- (e) Facility/Indenture Specific Decision in respect of the Term Facility Agreement, the Senior Debt Holder Group Representative acting in accordance with the decision making provisions of the Term Facility Agreement;
- (f) Facility/Indenture Specific Decision in respect of the Working Capital Facility, the Senior Debt Holder Group Representative acting on the instruction of the Working Capital Bank;
- (g) Facility/Indenture Specific Decision in respect of the Bond Documents, the Senior Debt Holder Group Representative in respect thereof;
- (h) Global Facility Agent Discretion, the Global Facility Agent;
- (i) provision of the Common Terms Agreement, which specifies on whose instructions the Global Facility Agent shall act upon, as set forth therein; or
- (j) matter which is not specified in the preceding paragraphs, the Senior Debt Holder Group Representatives acting on the instructions of the Majority Senior Debt Holders,

and for any matter specified in paragraphs (a) or (b) of this definition or paragraphs (d), (e) and (f) of “*Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters—Decision Making Process—Voting*”, the Relevant Instructing Parties shall be as set out in each such paragraph notwithstanding that such matter is also specified in any other paragraph of this definition.

**“Relevant Term Bank Group”** means in relation to any:

- (a) matter set out in “*Summary of Principal Finance Documents—Amended and Restated Term Facility Agreement—Decision Making—Amendments and Waivers*”, all the Term Banks;
- (b) matter set out in “*Summary of Principal Finance Documents—Amended and Restated Term Facility Agreement—Acceleration and Enforcement*”, the Majority Term Banks;

- (c) Enforcement Action (other than as set out in paragraph (b)), the Majority Term Banks;
- (d) Facility Specific Decision, the Majority Term Banks; or
- (e) matter which is not specified in the preceding paragraphs, the Majority Term Banks.

**“Repayment Date”** means:

- (a) in the context of the Common Terms Agreement, each principal repayment date specified as such in the Term Facility Agreement and in the Bond Documents; and
- (b) in the context of the Term Facility Agreement, each of the dates listed in the applicable schedule to the Term Facility Agreement and the Term Final Maturity Date.

**“Required Credit Rating”** means, in relation to any person, a rating for the long-term, unsecured and unsubordinated debt of such person of A- or higher by S&P or A3 or higher by Moody’s or an equivalent rating by a rating agency acceptable to the Global Facility Agent (acting on the instructions of the Majority Term Banks).

**“Required Hedged Amount”** means in respect of the Senior Permitted Hedging Agreements for any period, approximately 80% of the maximum aggregate principal amount that is outstanding during that period under the Senior Debt (other than the total principal amount of the Bonds and any other Senior Debt subject to fixed rate interest), in each case projected and estimated in the then current Project Forecast to be outstanding at any time during that period, assuming full compliance by us with our repayment obligations under the Term Facility Agreement pursuant to the Hedging Policy.

**“Reserve Letters of Credit”** means any DSRA Credit Support and any MRA Credit Support and **“Reserve Letter of Credit”** means any of them.

**“Restricted Party”** means a person that is:

- (a) listed on, or owned or controlled by a person listed on, a Sanctions List, or a person acting on behalf of such a person;
- (b) located in or organized under the laws of a country or territory that is the subject of Sanctions, or a person who is owned or controlled by, or acting on behalf of such a person; or
- (c) a country or territory that is, or whose government is, the subject of Sanctions broadly prohibiting dealings with such government, country, or territory.

**“Restricted Payment”** means:

- (a) any dividend, return of capital or other payment in respect of any Shares;
- (b) any interest, principal, commission, costs, expenses or other payment in respect of any Subordinated Loan Agreement;
- (c) any other payment to a Shareholder or any affiliate of a Shareholder other than pursuant to an agreement expressly permitted under the Common Terms Agreement provisions relating to transactions with affiliates; or
- (d) any other payment for the purposes of our project which is not in breach of, did not arise or become payable as a result of a breach of, and will not result in a breach of, any of the terms of any of the Finance Documents and which does not fall within the Common Terms Agreement provisions relating to withdrawals from the Onshore Deposit Account, the Onshore Operating Account and the Offshore Deposit Account.

**“Restricted Payment Calculation Period”** means in respect of each Repayment Date, the twelve-month period ending on such Repayment Date and the twelve-month period commencing on such Repayment Date.

**“Revenue Compensation Proceeds”** means:

- (a) any Insurance Proceeds in respect of business interruption and delay in start-up (but only to the extent that such proceeds are paid specifically in respect of loss of revenue);

- (b) all liquidated damages received by us under the O&M Agreement; and
- (c) any other amount designated from time to time as Revenue Compensation Proceeds by the Global Facility Agent and us.

“**Revolving Advance**” means the principal amount of each of our borrowings under the Revolving Facility.

“**Revolving Dollar Account**” means:

- (a) in the context of the Common Terms Agreement, the U.S. dollar sub-account to the Onshore Operating Account held with the Onshore Account Bank in our name and designated “Emirates Sembcorp Water & Power Company PJSC – Revolving Dollar Account”; and
- (b) in the context of the Working Capital Facility Agreement, the U.S. dollar account opened in our name held with the Working Capital Bank designated “Emirates Sembcorp Water & Power Company – Revolving Dollar Account” with such number that is notified to us by the Working Capital Bank and used in connection with the Revolving Facility,

in each case, as such account may be renewed, redesignated, recoded or renumbered.

“**Revolving Facility**” means the revolving credit facility to be made available pursuant to the Working Capital Facility Agreement.

“**Revolving Loan**” means at any time, the aggregate principal amount outstanding of Revolving Advances (or the dirham equivalent) under the Revolving Facility at that time.

“**Revolving Termination Date**” means the earlier to occur of:

- (a) the Termination Date; and
- (b) any date on which we have notified the Working Capital Bank in writing that we wish to cancel the Revolving Facility,

unless otherwise extended in writing by the Working Capital Bank and us on an annual basis.

“**RO Offshore Deed of Charge and Assignment**” means the deed of charge and assignment dated January 16, 2013 between us, the Offshore Account Bank and the Offshore Security Trustee.

“**Sanctions**” means any international trade or economic sanctions law, regulations, embargoes or restrictive measurements administered, enacted or enforced from time to time by a Sanctions Authority.

“**Sanctions Authority**” means:

- (a) the United Nations Security Council;
- (b) OFAC;
- (c) the US Department of State;
- (d) the European Union; or
- (e) Her Majesty’s Treasury of the United Kingdom (HMT).

“**Sanctions List**” means the “Specially Designated Nationals and Blocked Persons” list maintained by OFAC or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

“**Scheduled Debt Service**” means, in respect of any period, the aggregate of:

- (b) the Senior Financing Costs in respect of that period;
- (c) any scheduled principal amounts repayable under the Term Facility and the Bonds; and

(d) the principal amounts repayable under the Working Capital Facility during that period to the extent that:

- (i) such amounts are not available to be re-drawn under the Working Capital Facility or replacement facility permitted hereunder; or
- (ii) if the Working Capital Facility is an Overdraft Facility, an Overdraft Default is continuing,

less the aggregate amounts (other than Hedging Termination Payments) that were received by us under any Senior Permitted Hedging Agreement during that period.

“**Scheduled Outage**” shall have the meaning set out in Appendix G to the PWPA.

“**Screen Rate**” means:

- (a) in respect of LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for U.S. dollars for the relevant period displayed (before any correction, recalculation or republication by the administrator) on page LIBOR01 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate); or on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Term Facility Agent may specify another page or service displaying the relevant rate after consultation with us and the Term Banks; and
- (b) in respect of EBOR, the rate appearing on the “EBOR” page of the Reuters Monitor Money Rates Services designated for the display of an official rate for dirham or if such page or service shall cease to be available, such other page or other service (as the case may be) for the purpose of displaying an official rate for dirham as the Working Capital Bank, after consultation with us, shall select.

“**Second Offshore Deed of Charge and Assignment**” means the second deed of charge and assignment to be entered into on or around the Effective Date between us, the Offshore Account Bank and the Offshore Security Trustee.

“**Secured Finance Parties**” means the Finance Parties.

“**Secured Obligations**” means the Senior Liabilities.

“**Security**” means the Security Interests in favor of the Finance Parties from time to time constituted by or pursuant to the Security Documents.

“**Security Documents**” means:

- (a) the Commercial Mortgage and Onshore Security Agreement;
- (b) the Lease Mortgage;
- (c) each Company Share Pledge Agreement;
- (d) each Direct Agreement;
- (e) each Offshore Deed of Charge and Assignment;
- (f) each Special Security Power of Attorney;
- (g) the SGHoldCo Share Mortgage Agreement;
- (h) each reinsurance and assignment deed and each acknowledgment of assignment of reinsurance entered into in accordance with the Term Facility Agreement;
- (i) any other agreement, deed or document from time to time executed in favor of all or any of the Finance Parties (or a Security Trustee on their behalf) for the purpose of securing all or any of the Secured Obligations; and
- (j) the notices of assignment or charge, consents, acknowledgments and other documents referred to in any of the foregoing.

“**Security Interest**” means a mortgage, charge, pledge, lien, encumbrance or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Security Trustees**” means the Offshore Security Trustee and the Onshore Security Trustee and “**Security Trustee**” means either of them.

“**Senior Debt**” means amounts outstanding under the Term Facility and the Bonds.

“**Senior Debt Holder Group**” means the Holders of one of the categories of Senior Debt, who shall together constitute a single Senior Debt Holder Group.

“**Senior Debt Holder Group Representative**” means, with respect to any Senior Debt Holder Group, the representative designated as such in accordance with the Common Terms Agreement and/or the relevant Accession Certificate except that, for the purposes of voting or instructing only in the circumstances contemplated by Section 5.4(b) (*Limitations on Suits*) of the Indenture, the Senior Debt Holder Group Representative in respect of the Bonds means persons acting by way of a Bondholder Instruction.

“**Senior Debt Holder Majority**” means in respect of:

- (a) the Term Facility, the Term Banks thereunder whose share in the Term Loans then aggregate 66 $\frac{2}{3}$ % or more of the aggregate of all of the Term Loans of all of the Term Banks then outstanding; and
- (b) the Bonds, either:
  - (i) the Bondholders thereunder Holding 25% or more of the Bonds issued and outstanding under the Bond Documents, unless the Majority Bondholders direct the Bond Trustee not to take Enforcement Action; or
  - (ii) an Extraordinary Resolution is passed directing the Bond Trustee to take the relevant Enforcement Action.

“**Senior Debt Holder Simple Majority**” means in respect of:

- (a) the Term Facility, the Term Banks thereunder whose share in the Term Loans then aggregate more than 50% of the aggregate of all of the Term Loans of all of the Term Banks then outstanding; and
- (b) the Bonds, either:
  - (i) the Bondholders thereunder Holding 25% or more of the Bonds issued and outstanding under the Bond Documents, unless the Majority Bondholders direct the Bond Trustee not to take Enforcement Action; or
  - (ii) an Extraordinary Resolution is passed directing the Bond Trustee to take the relevant Enforcement Action.

“**Senior Debt Holder Super Majority**” means in respect of:

- (a) the Term Facility, the Term Banks thereunder whose share in the Term Loans then aggregate 90% or more of the aggregate of all of the Term Loans of all of the Term Banks then outstanding; and
- (b) in respect of the Bonds, either:
  - (i) the Bondholders thereunder Holding 50% or more of the Bonds issued and outstanding under the Bond Documents, unless the Majority Bondholders direct the Bond Trustee not to take Enforcement Action; or
  - (ii) an Extraordinary Resolution is passed directing the Bond Trustee to take the relevant Enforcement Action.

“**Senior Debt Holders**” means the Holders of Senior Debt.

“**Senior Debt Instrument**” means any of:

- (a) the Term Facility Agreement; and
- (b) the Bond Documents.

“**Senior Debt Obligations**” means all Senior Debt and our other obligations and liabilities howsoever arising under any Finance Documents (whether or not induced by any note or other instrument and whether or not for the payment of money), direct or indirect, absolute or contingent.

“**Senior Facility Banks**” means the Term Banks and the Working Capital Bank.

“**Senior Facility Bank Covenants**” means those obligations contained in:

- (a) any provision or part of a provision of the Common Terms Agreement that is expressed to be with respect to, or in respect of, the Senior Facility Banks only and/or which does not confer any right or benefit or impose any obligation on any Bondholder, the Bond Trustee or any agent or trustee acting on behalf of the Bondholders pursuant to the Finance Documents;
- (b) the Term Facility Agreement; and
- (c) any Fee Letters.

“**Senior Facility Bank Event of Default**” means

- (a) any Common Event of Default that is expressed to be with respect to, or in respect of, the Senior Facility Banks only and which does not constitute a Common Event of Default in respect of the Bondholders by application of any provision under “*Summary of Principal Finance Documents—Common Terms Agreement—Covenants and Events of Default—Events of Default*” containing a different threshold amount, cure period or other exemption applicable only in respect of the Bondholders; and
- (b) any Term Event of Default.

“**Senior Final Maturity Date**” means August 1, 2035.

“**Senior Financing Costs**” means (without double counting):

- (a) all interest, fees, commissions, costs and expenses accrued, paid, payable or reimbursable by us to the Finance Parties under the Finance Documents (excluding, for the avoidance of doubt, any Hedging Termination Payments payable by us in consequence of a voluntary prepayment of the notional principal amount hedged pursuant to the applicable provisions of the Common Terms Agreement);
- (b) all amounts accrued, paid, payable or reimbursable by us to the Finance Parties pursuant to the applicable provisions of the Term Facility Agreement;
- (c) all amounts accrued, paid, payable or reimbursable by us pursuant to any Senior Permitted Hedging Agreement (excluding, for the avoidance of doubt, any Hedging Termination Payments payable by us in consequence of a voluntary prepayment of the notional principal amount hedged pursuant to the applicable provisions of the Common Terms Agreement); and
- (d) any Taxes accrued, paid, payable or reimbursable by us in respect of any amount falling in paragraph (a), (b) or (c) above.

“**Senior Hedging Bank**” means:

- (a) a Term Bank which is a party to any Senior Permitted Hedging Agreement and is a party to the Common Terms Agreement in its capacity as a Senior Hedging Bank; and
- (b) any bank, financial institution or other entity which has become a party as a Senior Hedging Bank in accordance with the Common Terms Agreement.

“**Senior Liabilities**” means all present and future liabilities (actual or contingent) payable or owing by us to the Finance Parties in connection with the Finance Documents, together with:

- (a) any novation, deferral or extension of any of those liabilities;
- (b) any liability in respect of any further Senior Debt made under the Finance Documents plus all interest, fees and costs in connection therewith;
- (c) any claim for damages or restitution in the event of rescission of any of those liabilities;
- (d) any claim flowing from any recovery by us or a receiver or liquidator thereof or any other person of a payment or discharge in respect of any of those liabilities on grounds of preference or otherwise; and
- (e) any amounts (such as post-insolvency interest) which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings.

**“Senior Permitted Hedging Agreement”** means any Hedging Agreement entered into between us and a Senior Hedging Bank in accordance with the terms of the Hedging Policy.

**“Senior Proceeds”** means all receipts or recoveries by a Security Trustee (or by us and paid over to a Security Trustee) pursuant to, or upon enforcement of, any of the Security and all other moneys which are by the terms of any of the Finance Documents to be applied in accordance with the provisions described under *“Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters—Senior Proceeds”* (excluding any such sums which have been paid by a Security Trustee to the credit of any suspense or impersonal account and which are for the time being standing to the credit of such account, but including any sums withdrawn from any such account by such Security Trustee for the purpose of further applying the same in accordance with the provisions described under *“Summary of Principal Finance Documents—Common Terms Agreement—Intercreditor Matters—Senior Proceeds”*, after deducting (to the extent not already deducted or retained prior to such receipt or recovery by such Security Trustee):

- (a) all sums which are by law or contract payable to any Receiver;
- (b) all sums which that Security Trustee is required by the terms of any of the Security Documents to pay to any other person before distributing any such receipts or recoveries to any of the Finance Parties and/or discharging any of the obligations secured thereby;
- (c) all sums which that Security Trustee is by law required to pay to any person in priority to the Finance Parties; and
- (d) (in the case of Insurance Proceeds), all sums which that Security Trustee (on the instructions of the Majority Term Banks) has stipulated are to be applied in repairing, replacing, restoring or rebuilding any property the subject of any of the Security which has been damaged or destroyed.

**“Senior Termination Date”** means the date on which:

- (a) all of the Senior Liabilities have been discharged in full; and
- (b) no Finance Party has any obligation or liability (whether actual or contingent) pursuant to, or in connection with, the Finance Documents, or any of them, which could give rise to any Senior Liability.

**“SGHoldCo”** Sembcorp Gulf Holding Co Ltd, a company with limited liability duly organised and validly existing under the laws of the British Virgin Islands with its registered office at Walkers Chambers, P.O. Box 92, Road Town, Tortola, British Virgin Islands.

**“SGHoldCo Share”** means a share in the share capital of SGHoldCo.

**“SGHoldCo Share Mortgage Agreement”** means the equitable share mortgage dated September 10, 2014 between SCU and the Offshore Security Trustee, as amended and restated on the Effective Date.

**“Share”** means a share in our share capital.

**“Shareholders”** means SGHoldCo and UPHoldCo.

**“Shareholders’ Agreement”** means the shareholders’ agreement dated July 5, 2006 between our Shareholders, as amended and restated on the Effective Date.

**“Shareholders’ Direct Agreement”** means the agreement dated November 22, 2006 between us, our Shareholders, ADWEA, SCU, the Senior Debt Holders, the Global Facility Agent, the Security Trustees and the Account Banks, as amended and restated on the Effective Date.

**“Shareholders Funds”** means (without double counting) funds provided to us by our Shareholders pursuant to the Shareholders’ Direct Agreement in the form of Subordinated Advances and/or cash contributions made to us by way of subscription for Shares.

**“Site”** means the Leased Premises.

**“Special Security Powers of Attorney”** means:

- (a) the irrevocable power of attorney dated on or about the Effective Date granted by us in favor of the Onshore Security Trustee;
- (b) the irrevocable power of attorney dated on or about the Effective Date granted by us in favor of the Onshore Account Bank;
- (c) the irrevocable power of attorney dated on or about the Effective Date granted by us in favor of the Offshore Account Bank;
- (d) the irrevocable power of attorney dated on or about the Effective Date granted by SGHoldCo in favor of the Onshore Security Trustee; and
- (e) the irrevocable power of attorney dated on or about the Effective Date granted by the UPHoldCo in favor of the Onshore Security Trustee,

and **“Special Security Power of Attorney”** means any of them.

**“Specified Time”** means:

- (a) in respect of fixing LIBOR, Quotation Day as of 11 a.m. (London time); and
- (b) in respect of fixing EBOR, Quotation Day as of 11 a.m. (Abu Dhabi time).

**“Sponsors”** means SCU and ADWEA and **“Sponsor”** means any of them.

**“Statutory Reserve Balance”** means the legal reserve required to be maintained by us pursuant to Article 192 of the Commercial Companies Law or any similar provision of Applicable Law of the United Arab Emirates, the Emirate of Abu Dhabi or the Emirate of Fujairah.

**“Subordinated Advance”** means:

- (a) in the context of the Common Terms Agreement, an advance made, or to be made, to us by a Shareholder; and
- (b) in the context of the SDA, an advance made, or to be made, to us by a Shareholder or Parent Guarantor,

in each case, pursuant to the terms of a Subordinated Loan Agreement.

**“Subordinated Creditors”** means the Shareholders and the Parent Guarantors and **“Subordinated Creditor”** means any of them.

**“Subordinated Liabilities”** means the Equity Liabilities.

**“Subordinated Loan Agreement”** means an agreement between us and a Shareholder or Parent Guarantor in the form approved by the Global Facility Agent.

**“Subsidiary”** means in relation to any person, any other person:

- (a) which is under the Control, directly or indirectly, of the first mentioned person; or
- (b) which is a Subsidiary of another Subsidiary of the first mentioned person.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“**Technical Adviser**” means WSP or such other technical consultant as may from time to time be appointed by the Global Facility Agent.

“**Technical Assumptions**” means, in relation to a Project Forecast, assumptions in respect of:

- (a) the technical assumptions on which the Computer Model is based; and
- (b) any other assumptions necessary to project and estimate Operating and Maintenance Costs or our revenues from the sale of power or water pursuant to the PWPA,

in each case excluding the economic factors affecting the same, all as determined in accordance with the provisions described under “*Summary of Principal Finance Documents—Common Terms Agreement—Information, Project Forecasts and Reports—Information—Project Forecasts*”.

“**Term**” means in relation to any Revolving Advance, the period of one, two, three or six months from the Drawdown Date (or such other period as may be agreed between us and the Working Capital Bank), as selected by us in the relevant Drawdown Notice.

“**Term Accession Certificate**” means an accession certificate substantially in the form set out in the Term Facility Agreement.

“**Term Advance**” means an advance (as from time to time reduced by repayment or prepayment) made, or to be made, by the Term Banks under the Term Facility.

“**Term Bank**” means each bank or financial institution listed in the Term Facility Agreement and any bank, financial institution or other entity which has become a party as a Term Bank in accordance with the Term Facility Agreement and any bank, financial institution or other entity which has become a party as a Term Bank in accordance with the Term Facility Agreement.

“**Term Events of Default**” means the events and circumstances set out in “*Summary of Principal Finance Documents—Amended and Restated Term Facility Agreement—Term Events of Default*”.

“**Term Facility**” means the U.S. dollar term loan facility made available under the Term Facility Agreement.

“**Term Facility Agent**” means Sumitomo Mitsui Banking Corporation or any of their successors and assigns.

“**Term Facility Agreement**” means the facility agreement dated October 27, 2006 between us, the Term Banks, the Term Facility Agent and the Global Facility Agent, as amended and restated on the Effective Date.

“**Term Final Maturity Date**” means January 31, 2029.

“**Term Finance Parties**” means the Term Facility Agent and the Term Banks and “**Term Finance Party**” means any of them.

“**Term Loan**” means, at any time, the aggregate principal amount of the Term Advances under the Term Facility outstanding at such time.

“**Term Termination Date**” means the date on which:

- (a) all of the Senior Liabilities under the Term Facility have been discharged in full; and
- (b) no Term Finance Party has any obligation or liability (whether actual or contingent) pursuant to, or in connection with, the Finance Documents, or any of them, which could give rise to any Senior Liability.

“**Termination Date**” means, in the context of the Working Capital Facility Agreement, July 31, 2018.

“**Termination Payment**” means any payment by the Procurer in respect of the termination of the PWPA.

“**Third Party Insurance Proceeds**” means Insurance Proceeds payable in respect of claims by third parties against us.

“**Total Working Capital Commitments**” means the aggregate for the time being of the Working Capital Commitments, being US\$20,000,000 (or equivalent in dirhams) as at the Effective Date.

“**Transaction Documents**” means the Finance Documents and the Project Documents.

“**Transco Direct Agreement**” means the direct agreement dated November 8, 2006 between us, Transco and the Onshore Security Trustee, as amended and restated on the Effective Date.

“**Transfer Certificate**” means a certificate substantially in the form set out in the Term Facility Agreement signed by the Term Facility Agent, the Term Bank transferring all or part of its Term Loan and a Transferee.

“**Transferee**” means a person to which a Term Bank seeks to transfer all or part of such Term Bank’s rights and obligations thereunder.

“**Treasury Transactions**” means the Hedging Agreements entered into pursuant to “*Summary of Principal Finance Documents—Common Terms Agreement—Negative Covenants—Hedging Agreements*”

“**Trust Property**” means the Security and the Senior Proceeds.

“**U.A.E. Amendment and Restatement Agreement**” means the amendment and restatement agreement to be entered into on or around the Effective Date in relation to the amendment of certain Security Documents.

“**Unpaid Sum**” means any sum due and payable but unpaid by us under the Finance Documents.

“**U.S. Tax Obligor**” means us:

- (a) which are a U.S. person within the meaning of Section 7701(a)(30) of the Code, as amended; or
- (b) some or all of whose interest payments under the Finance Documents are from sources within the United States for US federal income tax purposes.

“**UPHoldCo**” means Union Power Holding Company, a public joint stock company (*sharikah mussahimah amah*) incorporated under the laws of the United Arab Emirates and the Emirate of Abu Dhabi pursuant to the Decision No. 18, Session 16/2006 of the Executive Council of the Emirate of Abu Dhabi with its registered office in the City of Abu Dhabi, Emirate of Abu Dhabi.

“**US**” means the United States of America.

“**Vopak**” means VOPAK ENOC Fujairah Limited.

“**Voting Time Period**” means the period from the date of any request for instructions from the Global Facility Agent to a Senior Debt Holder Group Representative to the date falling:

- (a) in the case of the Term Banks, 20 days after the date of that request or such longer time period as the Global Facility Agent may agree; and
- (b) in the case of the Bondholders, 45 days after the date of that request or such longer time period as the relevant Global Facility Agent may agree.

“**Water Desalination and Delivery Licence**” means the water desalination and delivery licence granted to us by the Regulation Bureau on September 26, 2006.

“**Way Leave Agreement**” means the way leave agreement dated March 29, 2004 between ENOC, Vopak and UWEC and subsequently assigned by UWEC to us.

“**Withdrawal**” means a withdrawal from the Overdraft Account.

“**Working Capital Accounts**” means the Overdraft Account and the Revolving Dollar Account.

**“Working Capital Advance”** means an Advance under the Working Capital Facility.

**“Working Capital Bank”** means First Abu Dhabi Bank PJSC and any bank, financial institution or other entity which has become a party as a Working Capital Bank in accordance with the Common Terms Agreement.

**“Working Capital Commitment”** means:

- (a) in relation to First Abu Dhabi Bank PJSC as a Working Capital Bank, the amount set opposite its name in the applicable schedule to the Common Terms Agreement and the amount of any Working Capital Commitment transferred to it under the Common Terms Agreement; and
- (b) in relation to any other Working Capital Bank, the amount of any Working Capital Commitment transferred to it under the Common Terms Agreement, in each case to the extent not cancelled, reduced or transferred by it under the Common Terms Agreement.

**“Working Capital Facility”** means:

- (a) in the context of the Common Terms Agreement, the overdraft and/or revolving loan facilities which are, or will be, granted to us pursuant to the Working Capital Facility Agreement; and
- (b) in the context of the Working Capital Facility Agreement, each of the Revolving Facility and the Overdraft Facility.

**“Working Capital Loan”** means, at any time, the aggregate principal amount then outstanding under the Working Capital Facility.

**“World Bank”** means the International Bank for Reconstruction and Development.

**“World Bank Environmental Standards”** means the environmental standards, requirements and guidelines contained in the Pollution, Prevention and Abatement Handbook 1998 published by the World Bank and any other environmental standards, requirements or guidelines in relation to thermal power plants published by the World Bank from time to time.

**ANNEX C: INDEPENDENT TECHNICAL DUE DILIGENCE REPORT**

REPORT N° 70033155-001

# TECHNICAL DUE DILIGENCE FUJAIRAH F1 (REVISED)

CONFIDENTIAL

OCTOBER 2017

# TECHNICAL DUE DILIGENCE FUJAIRAH F1 (REVISED)

**Sumitomo Mitsui Banking Corporation Europe Limited**

## **Confidential**

Project no: 70033155

Date: October 2017

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**WSP**

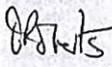
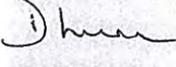
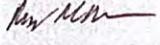
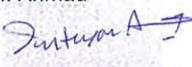
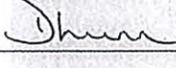
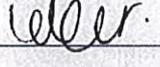
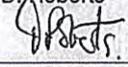
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# QUALITY MANAGEMENT

ISSUE/REVISION	FIRST ISSUE	REVISION 1	REVISION 2	REVISION 3	REVISION 4	REVISION 5
Remarks					DRAFT	Final
Date	August 2015	February 2016	August 2017	August 2017	October 2017	November 2017
Prepared by	D. Roberts D. Lunn R. Matheson D. Samuel I. Ahmad	I. Ahmad	R. Matheson I. Ahmad D. Lunn	R. Matheson	R. Matheson	D. Roberts  D. Lunn  R. Matheson  I. Ahmad 
Signature						
Checked by	D. Lunn	D.Lunn	D. Lunn	D.Lunn	D.Lunn	D.Lunn 
Signature						
Checked by	L. Harper	L. Harper	L. Harper	L. Harper	L. Harper	L. Harper 
Signature						
Authorised by	D. Roberts	D. Roberts	D. Roberts	D. Roberts	D. Roberts	D. Roberts 
Signature						
Project number	70033155					
Report number	001					
File reference						

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	<b>HEAT RE-CLAIMER PROJECT</b>

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## 1

# EXECUTIVE SUMMARY

## OUTLINE AND OBJECTIVES

WSP (formerly WSP | Parsons Brinckerhoff) has been asked by Sumitomo Mitsui Banking Corporation (SMBC) to update its 2015 due diligence of the Fujairah F1 IWPP (Independent Water and Power Project) based on the latest information available, to a 2017 revision.

The main objectives of this Technical Due Diligence report are as follows:

- To review the design parameters of the plant in terms of its technical and environmental performance;
- To summarise the completion tests carried out on the plant and new RO plant and the results / performance of the plant achieved against the guarantees required under the PWPA and EPC Contracts, including opinion on the capacities margins established in order to satisfy the long term contracted capacities for the term of the A&R PWPA;
- To review and comment on any significant outstanding technical issues identified during commercial operation and the agreed action plan to address these matters;
- To provide an overview of the commercial operation of the plant to date;
- To review and comment on the development of the new RO plant and the testing regime and the ability of the plant to meet the required capacities under the A&R PWPA
- To review and comment on the technical and operational assumptions in the financial model.

The review was conducted by experienced power consultants and technical specialists.

## PRINCIPAL FINDINGS

A summary of WSP's principal findings identified during this due diligence review are stated below.

- The Plant design, technology and engineering satisfy and are consistent with the operational requirements specified in the PWPA and are considered to represent international best practice for large CCGT power and desalination projects.
- The project documentation is mature and well developed. Under the amended power and water purchase agreement (PWPA) between the Procurer (ADWEC) and the Project Company, the plant is required to provide power and desalinated water for 20 years following the Project Commercial Operation Date of the new RO Plant. The operations and maintenance agreement (OMA) covers the necessary operating period activities (including the scheduled maintenance of the gas turbines) and has the Operator covering the operating risks up to identified limits (see section 6.4 of this report for further details).
- The original Fujairah F1 plant comprising four gas turbines (General Electric 9Es), five MSF desalination units and the reverse osmosis plant entered commercial operations (PCOD) in 2004 and was operated and maintained by a temporary company for a two year period, before the inception of the current PWPA in 2006. In 2009 GT5 was added and the PWPA amended to expire in March 2029.

- The table below shows historic PWPA Contracted and Actual Performance from periodic plant net capacity tests:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Power (MW)</b>											
Contracted	535	535	535	760	760	760	760	760	760	760	760
Test	553	570	N/A	788	797	784	789	775	782	779	769
<b>Variance</b>	<b>+18</b>	<b>+35</b>	<b>-</b>	<b>+28</b>	<b>+37</b>	<b>+24</b>	<b>+29</b>	<b>+15</b>	<b>+22</b>	<b>+19</b>	<b>+9</b>
<b>Water (MIGD)</b>											
Contracted	100	100	100	100	100	100	100	100	100	100	100 <sup>*1</sup>
Test	101	102	N/A	101	103	100	102	103	103	102	102 <sup>*1</sup>
<b>Variance</b>	<b>+1</b>	<b>+2</b>	<b>-</b>	<b>+1</b>	<b>+3</b>	<b>-</b>	<b>+2</b>	<b>+3</b>	<b>+3</b>	<b>+2</b>	<b>+2</b>

\*1: 2016 Figures do not include additional 30 MIGD produced by the New RO Plant under the WPA during the NDCT.

- The results of the plant net capacity tests show an average net power output margin (2009-2016) of 3.0% better than the contracted capacity under the PWPA. This margin is better than typically demonstrated on comparable projects.
- The results of the plant net capacity tests show an average net water production capacity margin (2009–2016) of 2.3%, better than the contracted capacity under the PWPA. This margin is consistent with other comparable projects.
- Historically the only requirement for a heat rate test to be conducted was under the Shareholders Agreement at the time of PCOD. This test resulted in a Net Heat Rate of 9,748 kJ/kWh, which was slightly higher than the PWPA Net Heat Rate of 9,700 kJ/kWh. However, the Shareholder's Agreement allowed for an uncertainty to be included which relaxed the declared Net Heat Rate to 9,668 kJ/kWh, thus allowing the contractual value to be met.
- The performance (as summarised above) provides confidence that the long term contracted power capacity, contracted water capacity and contracted specific net heat rate can be achieved throughout the term of the PWPA (see Section 7 of this report for further details).
- During the commissioning phase of the project and during commercial operation of the Plant, a small number of technical issues arose that required resolution by the EPC Contractor and the O&M Company (see section 8 of this report for further details).
- With the exception of the GT 5 compressor blade issue in 2014 the site has generally achieved a power availability above 94% and a water availability above 96%. These values demonstrate good levels of Plant availability (see section 9 of this report for further details).
- Based on the design of the Plant and the O&M arrangements in place, the Plant is capable of achieving the technical assumptions set out in the financial model (see section 10 of this report for further details).
- The Power and Water Availability (%) is in alignment with the planned and unplanned outage schedule.
- The PWPA contract data is in alignment with Financial Model.
- The forecast O&M costs under the OMA are reasonable and are typical for a plant of this age and configuration.
- We understand allowance has been made in the Financial Model for an increase in the CSA costs projected following the expiry of the existing CSA in 2029 until 2035. This cost increase is based on estimates provided by F1 Project Company following discussions with GE and reflects a conservative estimate of increased CSA costs as a result of an extension of the current contractual arrangements. The Project Company is to wait until nearer the expiry of the current CSA to determine its strategy concerning extending the existing CSA based on

operational history. The Project Company could be held economically harmless by these increased cost projections through a corresponding increase in the FOMR component in the PWPA .

### **NEW RO PLANT**

F1 Project Company has recently constructed a new RO plant through a Design, Build, and Operate (DBO) contract on the existing site to augment the drinking water production capacity. The RO Project provides a further total net water capacity of 30 MIGD. The material selection is adequate to all relevant process and environmental conditions and has to be sufficient for design life of 25 years.

The new RO plant achieved PCOD on 30 November 2015. The PCOD was delayed by about 4 months. The main reasons cited for the delay include:

- access to the site by the Contractor due to security reasons (CICPA pass)
- about 4 months delay in issuing construction permits from the local Municipality in Fujairah,
- inexperience of the contractor in the UAE and resource mobilization delay from the Contractor.

WSP considers that the design of the new RO plant is acceptable and the project has been delivered on budget.

WSP confirms that the testing regime for the Project Commercial Operations Date under the DBO Agreement was robust and is sufficient to demonstrate that the new RO plant will meet the required capacity under the A&R PWPA.

### **NEW RO PLANT COMPLETION TEST AND OPERATION REVIEW.**

WSP has carried out a desktop review of the data provided for Performance Test, Reliability Tests and Plant Operation Data from December 2015 to December 2016. A site visit was undertaken on 04 May 2017.

The Performance Test was carried out from October 11 (16:00 hours) to October 12 (16:00 hours), 2015. The New RO Plant achieved Performance Guarantees for the Net Water Output, Power Consumption, Potable Water Quality, and Effluent Water Quality.

The DBO Contractor is yet to achieve for DAF treated water flow to the existing RO Plant and Noise level Guarantee. Design changes/modification studies have been completed and the DBO Contractor is expected to complete the implementation of the design changes/modification soon. The Guarantees for DAF treated water flow to the existing RO Plant and Noise level Guarantee shall be verified once the implementation is completed by the DBO Contractor.

Reliability Test for the New RO Plant was completed successfully by the DBO Contractor and the plant achieved its PCOD on 01 December 2015.

The NDCT as per the DBO Contract was completed for the Contract Year 02 (11 April 2017, 15:00 hrs to 12 April 2017, 15:00 hrs). During the NDCT the water produced was delivered to the RO water tanks/delivered ultimately to the Transco network). WSP has reviewed the NDCT result including the lab analysis results of the Potable Water. We consider the NDCT results are acceptable.

## GENERAL MARKET DYNAMICS

The introduction of Nuclear Power 2017-2020 will result in the introduction to the system of circa 5,600MW of gross capacity (power only). This is a key driver behind the build out of RO capacity in the UAE in preference to thermal based desalinated water production. Once operational this will increase year round base load power capacity, thereby increasing the amount of surplus power capacity available for production of desalinated water by RO whilst continuing to despatch CCGT to produce desalinated water by thermal processes in order to meet overall demand. As a result of the above, future power and water production is likely to be de-coupled to maximise flexibility, efficiency and reduce sector costs, including the consumption of natural gas.

## SPECIFIC MARKET DYNAMICS FOR FUJAIRAH F1

The Fujairah F1 plant is a significant asset on the system given its large water production capacity. The new RO Plant will satisfy incremental demand for water in Fujairah and the wider emirates. The new RO plant will utilize surplus power capacity at the Fujairah F1 plant and the extension of the PWPA will lead to an overall reduction in sector costs for ADWEC (the procurer) through a benefit sharing mechanic which will result in a reduction in the capital cost recovery charge for water (please refer to Section 6).

## 2 INTRODUCTION

WSP (formerly WSP | Parsons Brinckerhoff) has been asked by Sumitomo Mitsui Banking Corporation (SMBC) to update its 2015 Fujairah F1 refinancing technical report based on the latest information available, to a 2017 revision.

The Fujairah F1 IWPP (Independent Water and Power Project) is owned by Emirates SembCorp Water and Power Company (ESWPC, the Owner). The plant is located in the Emirate of Fujairah on the Gulf of Oman coast between the towns of Qidfa to the north and Fujairah, some 23km to the south. The site is some 270km from Abu Dhabi City and with good road links via the E84 highway to the remainder of the emirate. The Fujairah power and water complex accommodates one further power and water plant, Fujairah 2, which is owned and operated by other companies and there are no commercial links between the businesses.

ESWPC has recently undertaken the construction of a new reverse osmosis plant on its existing site using a “design, build, operate” contract arrangement with Acciona. This plant entered commercial operations on 01 December 2015.

WSP has historically been given access to the data room comprising information compiled by ESWPC. There has been a formal process of questions and answers with plant personnel supplying further details required to support the details, observations and opinions presented in this report. In addition one WSP consultant visited Fujairah F1 during May 2017 in order to undertake a site inspection and meeting key plant personnel to discuss aspects of the new reverse osmosis plant.

WSP has previous knowledge of Fujairah F1 having undertaken specific projects in 2015 for SMBC, 2013 on behalf of one of the shareholders and from its role as Lenders' Technical Advisor to the participating banks in the existing loan arrangements.

# 3 PROJECT RATIONALE

## 3.1 SURPLUS POWER CAPACITY

### 3.1.1 Net Declared Capacity

With high plant availability and a relatively low load factor there has been surplus power capacity each year which is more than sufficient to meet the additional capacity required to provide energy for a 30 MIGD reverse osmosis desalination plant. In addition the net dependable capacity tests undertaken within the PWPA, as well as proving the contractual capacities (760 MW power and 100 MIGD water), showed consistently that the plant had been able to demonstrate surplus power of between 15.4 MW and 37.3 MW since PCOD in March 2009, although it is noted that in more recent years the surplus available had generally decreased. It was anticipated that the New RO Plant's guaranteed power consumption of 21MW would be met without reducing the contractual capacity for power, hence not impacting the revenues of the Project Company.

The Project Company was asked to demonstrate the surplus power capacity of the plant in a Net Declared Capacity Test (NDCT) in 2010, where it was shown to be 37.3 MW. The NDCT undertaken in April 2016, following commissioning of the new RO plant, showed a surplus power capacity of 8.67 MW even including the service consumption for producing 30 MIGD of potable water from the New RO Plant.

### 3.1.2 Capacity (Load) Factor

Fujairah F1 employs four General Electric 9E machines which are relatively small, flexible and, using their bypass stacks, operable in simple (open) cycle. However even in combined cycle operations, with a lower efficiency they tend to have a higher marginal cost than the other industrial gas turbines deployed on IWPPs within the Emirates of Abu Dhabi and Fujairah. The units are connected to the local 132kV network and there is a propensity towards a two shifting regime with a relatively low load factor and utilisation as they flex to match local supply and demand. The New GT is a 9FA and a larger machine with more costly and longer duration starts. Although it is more efficient than the 9E machines it is less flexible and, connected to the 400kV national grid system, must compete with all the plant available to ADWEC. Consequently it also has a relatively low load factor compared to other CCGT units in the Emirate.

Following completion of the Plant Extension in 2009, annual plant power availability has to the end of December 2016, and with the exception of 2014's forced outage on GT 5, been high at between 94.1% and 97.2%. However as a result of the higher marginal costs, plant flexibility and its location on the power network, the F1 plant sees lower load factors than other IWPPs ranging from 28% to 60% between 2009 and 2016.

## 3.2 AVAILABILITY OF RESOURCES

In addition to the availability of surplus power capacity, there are a number of further synergies and economies of scale which have been brought to bear on the New RO plant.

Fujairah F1 has used land already available within its site and to the east of the existing plant as the location of the New RO plant. The new plant has been able to connect into the existing seawater intake and a separate outfall is built for the new RO plant discharge.

### 3.3 PRE-TREATMENT PLANT

In order to protect the performance and longevity of the RO membranes, the New RO plant was built with a new dissolved air flotation (DAF) system which pre-treats the seawater before it is used in the desalination process and sized to accommodate the New and existing RO plants. This represents a major improvement on the dual media filtration (DMF) system used in the existing RO plant and which fed seawater by gravity through two sand bed filters. In the past sea borne algal blooms (“red tides”) have disrupted the existing RO process with high levels of sedimentary matter, but with no damage to the membranes. The installation of DAF for the existing and new RO plants requirement will ensure the availability of these plants under deteriorating seawater condition during red tides event and makes the pre-treatment process more robust for both these plants. The new DAF installed is not able to supply the required treated seawater to the existing DMF due to Hydraulic issues. Further details on this is provided in Section 8 of this report.

In practice, the DMF system will remain in service for both the existing plant and the new RO Plant. However, the DAF system is expected to be in service throughout the DBO (7 years) period for its positive effect on the existing RO Plant. The DAF installed has a bypass system which can be exercised during the period of PWPA when the seawater quality is good. Operation of DAF will be mandatory during the period of red tides or increased turbidity during rains.

### 3.4 DBO BENEFITS

ESC has taken the opportunity to contract with the New RO plant provider being an Acciona joint venture on a Design, Build, Operate (DBO) basis. This provides coverage with an operations and maintenance service, and provision of expensive membranes, scheduled for replacement at least once during the seven year contract period following the project commercial operations date (PCOD). Under the DBO Contract, Acciona guarantees the overall performance of the new RO plant, in particular the DAF system for the removal of algal bloom in the sea water feed to the existing and new RO plants.

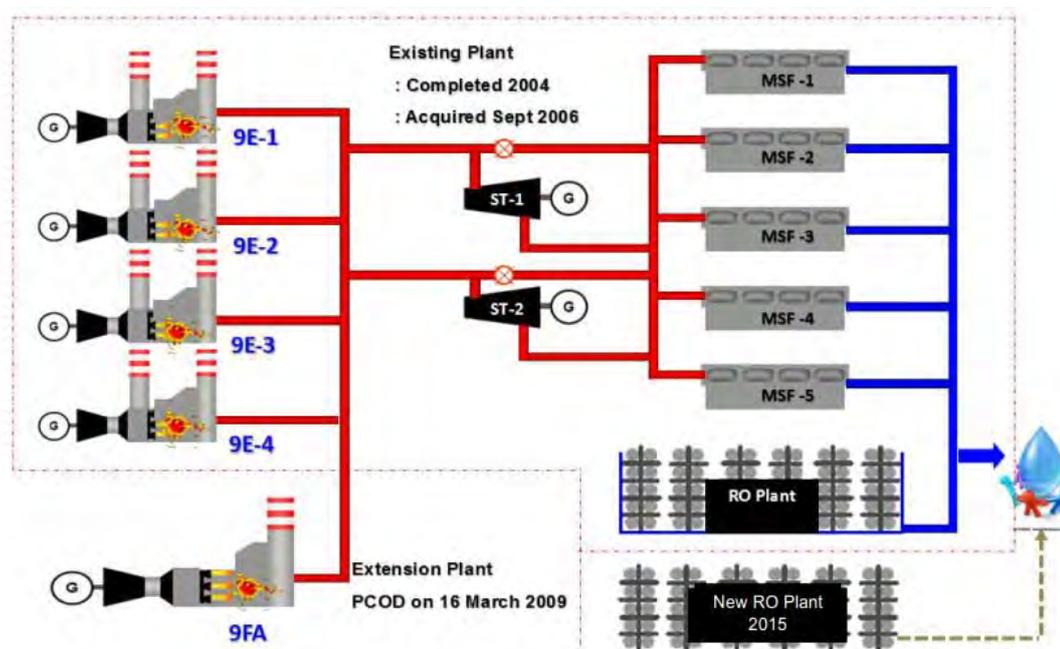
# 4 FACILITY DESIGN AND TECHNOLOGY OVERVIEW

## 4.1 EXISTING PLANT – GENERAL DESCRIPTION

Fujairah F1 is an IWPP with a gross power production capacity of 893 MW of which 124 MW is used in the desalination process and for power station auxiliaries (works power). The plant is located on the East Coast of the UAE on the Gulf of Oman coast some 20km north of the city of Fujairah in the Emirates of Fujairah, 280km north east of Abu Dhabi city of the UAE.

The following diagram shows the plant configuration.

Figure 1 – Fujairah F1 Plant Configuration



Commissioned in 2004, the plant was originally designed as a two block cogeneration configuration, designed to offer approximately 662 MW (gross) and 62.5 MIGD at Reference Site Conditions (RSC, which include temperature 46°C, pressure 1013mb and 40% relative humidity) comprising of:

- Four General Electric Frame 9E gas turbines, each offering 106 MW (gross) at RSC (9E capacity increased to 109 MW as a result of the heat rate uprates improvement by GE on all four 9E units in 2007 and 2008);
- Four single pressure supplementary fired HRSGs;
- Two Siemens Model NG 90/90 back pressure steam turbines offering 119MW (gross) at RSC;
- Five 12.5 MIGD (gross) MSF units;
- Administration, control room and store building;

- Interconnection with natural gas supply/water export/power export systems;
- Interconnection with seawater intake and outfall;
- Interconnection of backup fuel supply;
- Potable water storage tanks;
- Remineralisation plant;
- Balance of plant systems; and
- One Reverse Osmosis plant 37.5 MIGD (gross).

A third block was built and commissioned in March 2009, designed to offer approximately 219MW (gross), comprising of:

- One General Electric Frame 9F gas turbine, offering 219MW (gross) at RSC; and
- One single pressure supplementary fired HRSG.

The power plant technology is considered to be proven i.e. it is not novel, with the gas turbine models employed at the plant subject to high proven operational hours within the fleet worldwide.

The tables below show the Existing Plant Power and Water Capacities.

**Table 1 – Existing Plant Power Capacity**

Power Plant	No.	Unit MW	Total MW
GE 9E gas turbines	4	109	436
Siemens steam turbines	2	119	238
GE 9FA gas turbine	1	219	219
Total	-	-	893
Power to desalination			(101)
Net Capacity			792
Balance			(32)
<b>PWPA Contracted</b>			<b>760</b>

**Table 2 – Existing Plant Water Capacity**

Water Plant	No.	Unit MIGD	Total MIGD
MSF Plant	5	12.5	62.5
Existing RO	1	37.5	37.5
<b>PWPA Contracted</b>			<b>100</b>

## 4.2 EXISTING PLANT - DESIGN BASIS

WSP has reviewed the Plant design and considers that it is suitable to satisfy all of the A&R PWPA design and operational requirements including the following:

- Fujairah F1 was constructed against an operating design concept that the plant would have a nominal 25 year design life or 200,000 hour operating capability for the gas turbines/HRSGs and steam turbine generators. This life forecast is now set to 2029, but is capable of being life extended at minimal cost (WSP refers the reader to section 11.4.3 of this report which outlines expected major expenditure; these costs, together with the planned maintenance outage cycle, would support a plant life expectancy up to 2035).
- The power and desalination plant is capable of following the daily and seasonal demand profile of the networks.
- The power plant is designed for electrical base load and cycling operation down to 35% net electrical output with a constant water production of 100 million gallons of water per day (MIGD) with an ambient temperature of 46°C.
- Continuous operation is preferable above minimum GT load at approximately 60% due to the GT burners operating in low-NOx premix mode from and beyond this load.
- The site is historically fully compliant with the specified environmental air pollution emission limits within the range of 60% to 100% of the plants power output.
- In the case of an outage of one gas turbine / HRSG unit (planned or forced outage) full water production can be maintained for all respective thermal desalination units connected to any group.
- A supplementary firing system is installed in all of the HRSGs. This is required to boost the steam production to the maximum rated steaming rate through a range of operating configurations.
- The supplementary firing system of the HRSGs is designed for dual fuel firing capability, i.e. for gas and back up fuel firing.
- The HP steam system of the HRSGs is operated in fixed pressure mode over the entire load range. The LP steam system is operated in fixed pressure ranges depending on the load requirements.
- HRSG steam supply to HP steam header which feeds to steam turbine and steam outlet goes to desalination unit. In case of steam turbine not in operation there is HP/LP bypass which bypasses steam turbine and feeds steam from HP header to LP header.
- Black start facilities have been provided.
- The Fujairah F1 plant is suitable for island operation if disconnected from the transmission system.
- It is normal practice for planned maintenance activities on the power units and thermal desalination units to be undertaken during winter (November to March), the period of low power demand in the UAE.
- All four of the 9E gas turbines are fitted with bypass stacks to allow simple cycle operation and to provide a more flexible response with much shorter durations from firing to synchronisation.

## 4.3 EXISTING POWER PLANT EQUIPMENT

The following sections provide commentary on the main items of power plant that are installed within the Fujairah F1 facility.

### 4.3.1 Gas Turbines

#### EQUIPMENT DESCRIPTION

In total the first and second power block consists of four General Electric frame 9E GTs equipped with bypass stacks and dampers for either simple (open) or combined cycle mode of operation. The third power block consists of a single General Electric frame 9FA GT.

Each gas turbine is of dual fuel (natural gas / distillate) fire design and is equipped with dry, low NOx burners for emissions control.

The 9E gas turbine has a nominal power output of 109 MW at RSC. The 9FA gas turbine has a nominal power output of 219 MW at RSC.

The gas turbines exhaust hot gases pass directly into the naturally circulated HRSG.

#### MAINTENANCE INTERVALS

On General Electric gas turbines, the primary driver to carry out maintenance inspections is based on a fixed number of Factored Fired Hours (FFH). "Factored Fired Hours" are based on an algorithm using actual running hours with penalty hours for operational events such as changes in fuel type, stop/starts, trips along with its severity factors and rapid changes of temperature effect.

There are three main categories of inspection, namely minor, hot gas path and major. A fourth inspection category called life time extension (LTE) is typically carried out once in the lifetime of a gas turbine, nominally at the half-life of the plant between 100k and 144k FFH.

The table below shows GT estimated maintenance intervals based on FFH.

**Table 3 – GT Maintenance Intervals**

Planned Maintenance Event	9FA Estimated Interval		9E Estimated Interval	
	Borescope	12,000 FFH	Combustion	12,000 FFH
Borescope / Combustion Inspection	Borescope	12,000 FFH	Combustion	12,000 FFH
Hot Gas Path Inspection	24,000 FFH		24,000 FFH	
Major Inspection	48,000 FFH		48,000 FFH	
Generator Major Inspection	48,000 FFH		48,000 FFH	

The table below shows typical maintenance outage durations.

**Table 4 – GT Maintenance Outage Durations**

Gas Turbine Inspection	Combustion Inspection	Hot Gas Path Inspection	Major Inspection
Maintenance Frequency (FFH)	12,000	24,000	48,000
Outage Duration (days)	7	18	31

The table below shows the expected Inspection Life Cycle based on accumulating 6,000 FFH per year.

**Table 5 – Inspection Life Cycle**

Period Years	Inspection Type	Expected FFH Count
2	Combustion Inspection	12,000
4	Hot Gas Path Inspection	24,000
6	Combustion Inspection	36,000
8	Major	48,000

The following table shows the operational duty of each of the gas turbines since their first fire during construction to end of 2016:

**Table 6 – Gas Turbine Operations**

GT	Total	Hours		Starts	Trips
		Gas	Distillate	Starts	Trips
1	84 105	80 401	3 704	675	122
2	83 252	80 175	3 078	675	102
3	73 359	68 526	4 833	817	132
4	79 730	74 808	4 921	667	149
5	39 294	38 611	684	307	65

Calculation of FFH under the CSA with General Electric determines the inspection scheduling and is based on an algorithm using actual running hours with penalty hours for operational events such as stop/starts, trips etc. The following table shows the FFH accrued to end of 2016 on each machine and the FFH accrued to the last major, hot gas path or CI inspections.

**Table 7 – Factored Fired Hours accrued**

GT	FFH to end-2016	FFH at the time of Inspection	Inspection type / month
1	85 960	86 198	CI / Jan-17
2	84 794	84 775	CI / Jan-17
3	75 778	72 279	HGPI / Feb-16
4	82 194	73 599	HGPI / Feb-15
5	39 636	25 446	HGPI / Feb-14

### 4.3.2 GT Generators

#### EQUIPMENT DESCRIPTION

9E GT Generators: The gas turbine generators are air cooled Alstom machines (frame T240-370), rated at 122.4 MW, operating at 15 kV nominal. The stator and rotor insulation are rated as IEC34 Class F with Class B temperature rises. The generator is equipped with static excitation.

9FA GT Generator: The gas turbine generator is a hydrogen cooled General Electric machine (frame 324 LDS UP), rated at 269.6 MW, operating at 15 kV nominal. The stator and rotor insulation are rated as IEC34 Class F with Class B temperature rises. The generator is equipped with static excitation.

#### MAINTENANCE INTERVALS

The maintenance intervals of the GT Generators are aligned to respective gas turbine outages. Inspection, overhaul and testing activities vary depending on the interval.

### 4.3.3 HRSGs

#### EQUIPMENT DESCRIPTION

The Doosan HRSGs are of a single pressure High Pressure (HP), nominally 68 bar a. Supplementary firing is employed to enhance steam production from the HRSGs with limited load on the gas turbines. Each HRSG has the capability of interconnecting the steam and water headers of each block via isolation valves; this increases the operational flexibility of the whole plant in emergency cases, such as in case of failure of the steam turbine of one block and the simultaneous failure of a GT or HRSG of the other block.

The HP steam from the HRSG's is combined in a common header. Cross-over operation of the five HRSGs is possible via an interconnection header

#### MAINTENANCE INTERVALS

The maintenance intervals of the HRSGs are aligned to gas turbine outages and comprise of an annual outage of seven days duration to inspect the drums and downcomers. A major inspection of all the pressure parts is carried out every three years, including pressure test during a 25-day outage duration.

**Table 8 – HRSG Maintenance Intervals**

HRSG Inspection	Minor Inspection	Major Inspection
Frequency	8,000 (yearly)	24,000 (3-yearly)
Duration (days)	7	25

WSP considers the design of the HRSGs is technically acceptable and the design standards, material selection and level of redundancy are consistent with acceptable power industry practice.

#### 4.3.4 Steam Turbines

##### EQUIPMENT DESCRIPTION

The steam of each combined cycle block is sent by independent lines to the two Siemens back pressure steam turbines (ST). Each steam turbine comprises of an HP and LP cylinder. The steam is then exhausted to the MSF desalination plant where it is used to heat seawater in the brine heater.

The steam turbines are manufactured by Siemens, an internationally recognised leader in steam turbine technology, with a large fleet operating worldwide. WSP is satisfied that the steam turbine model used at Fujairah F1 has reference units in commercial operation since 2002, with adequate operational experience and is a proven conventional design and is a low risk technology.

##### MAINTENANCE INTERVALS

There are two main categories of steam turbine inspection, namely intermediate and major which rotate in a cycle of nominal 6 and 12 years respectively. A third inspection category is called life time extension (LTE) is only carried out once in the lifetime of the steam turbine, nominally at the half-life of the plant between 100k and 130k FFH.

The table below shows the steam turbine maintenance intervals and inspection durations.

**Table 9 – Steam Turbine Maintenance Intervals**

Steam Turbine Inspection	Annual Inspection	Minor Inspection	Major Inspection
Frequency	Annually	6-8 years	10-12 years
Duration (days)	5	14	35

#### 4.3.5 Steam Turbine Generators

##### EQUIPMENT DESCRIPTION

The steam turbine generators are Siemens air cooled (Type TLR1 100/40), rated at 152 kVA, operating at 15 kV nominal. The stator and rotor insulation are rated as IEC34 Class F. The generators are equipped with static excitation.

The steam turbines and generators are manufactured by Siemens, an internationally recognised leader in steam turbine technology, with a large fleet operating worldwide.

##### MAINTENANCE INTERVALS

The maintenance intervals of the ST Generators are aligned to respective steam turbine outages. Inspection, overhaul and testing activities vary depending on the interval.

## 4.4 EXISTING WATER ISLAND

The Water Island consists of 5 Doosan multi stage flash (MSF) distillers and a single Reverse Osmosis (RO) plant. Each distiller is rated at 12.5 MIGD net output and the RO plant is rated at 37.5 MIGD, giving an existing water output of 100 MIGD.

### 4.4.1 Multi Stage Flash Units

The multistage flash (MSF) desalination plant of the Existing Fujairah Plant consists of five (5) MSF evaporators with:-

- Main cooling water system
- Distillate system
- Brine recirculation system
- LP steam and brine heater condensate system
- MP steam, venting and vacuum system
- Seawater cooling and make-up water system
- Brine blow-down system and
- Chemical dosing system

The MSF plant is connected to the common steam header of 2 power block units and is capable of producing distillate at a rate of 62.5 MIGD. Distillate from the MSF plant is fed to the water treatment and storage facility where it is treated and stored as potable water. A small quantity of the distillate is demineralised and stored for use in the make-up water system of the power block.

WSP has reviewed the key technical design features of the MSF units at Fujairah F1 and is satisfied that these are adequate for the required duty.

### 4.4.2 Existing Reverse Osmosis Unit

The purpose of the reverse osmosis (RO) plant is to produce potable water, through seawater desalination by means of the reverse osmosis process. The production by the RO Plant is 37.5 MIGD (170,475 m<sup>3</sup>/d) of treated water with a TDS of less than 180 ppm and a chloride content of less than 120 ppm. The RO plant consists of:-

- Dual media filters
- Cartridge filters
- HP pumps with recovery turbines
- RO racks with modules
- Cleaning and flushing facilities

### 4.4.3 Maintenance

**Table 10 – Desalination Maintenance Intervals**

Inspection Frequency	MSF Duration	R/O Duration
Annually	10 Days	13 Days

## 4.5 NEW RO PLANT DESCRIPTION

### 4.5.1 Introduction

F1 Project Company has constructed a new RO plant through a Design, Build, Operate (DBO) contract on the existing site to augment the drinking water production capacity. The RO plant site is situated inside the existing F1 plant in the Gulf of Oman coast close to an existing FEWA plant. The treatment scheme consists of dissolved air flotation (DAF), dual media filters (DMF), cartridge filters, two pass RO and remineralisation systems. We understand that the construction of the New RO Plant was funded by the Project Company's shareholders.

The RO Project is to provide a further total net water capacity of 30 MIGD. The material selection is adequate to all relevant process and environmental conditions and has to be sufficient for design life of 25 years.

The DBO Contractor is ACCIONA AGUA S.A. and ACCIONA INFRAESTRUCTURAS S.A. The term of the DBO Agreement begins on the Effective Date and expires on the 7<sup>th</sup> anniversary of the Project Commercial Operation Date (PCOD).

An innovative aspect of this new RO project is the recovery of seawater discharge from the existing MSF facility for reuse as part of the seawater feed. The DAF system is designed to cater to the combined feed seawater requirement of the existing 37.5 MIGD SWRO of F1 Plant and the new 30 MIGD SWRO plant. The DAF system has a provision of bypass for operation of the SWRO plans under normal seawater conditions.

The DAF system is expected to be in service for the DBO (7 years) period for its positive effect on the existing RO Plant. The DAF installed has a bypass system which can be exercised during the PWPA period when the seawater quality is good. Operation of DAF will be mandatory during the period of red tides or increased turbidity during rains. ESC has informed that the use of DAF treated water in the existing RO Plant has improved the Cartridge filter replacement frequency. However, the continuous operation of DAF is associated with costs related to chemicals and energy consumption. A cost benefit analysis for continuous DAF Operation shall be conducted once the hydraulic issue is resolved and DAF is able to supply full water to the existing RO Plant.

The potable water produced is stored immediately in three storage tanks and then pumped from the RO water tanks into TRANSCO's water transmission mains through TRANSCO's procured potable water pumping station.

The new RO plant achieved PCOD on 1 December 2015. The PCOD was delayed by about 4 months. The main reasons cited for the delay include:

- delay in access to the site by the Contractor due to security reasons (CICPA pass);
- about 4 months delay in issuing construction permits from the local Municipality in Fujairah; and
- inexperience of the contractor in the UAE and resource mobilization delay from the Contractor.

WSP considers that the design of the New RO Plant is acceptable and expected to achieve Net Water Output and other Guarantees during the period of the PWPA.

After the DBO period expires 7 years from project PCOD, it is assumed that ESC will combine the operation of the new RO plant with their existing RO plant. WSP considers that the ESC has a proven track record in the efficient operation of the existing RO plant (37.5 MIGD) since 2007 and will be able to manage the operation of the New RO Plant efficiently.

#### 4.5.2 Key Interfaces

WSP does not foresee any issues concerning the key interfaces and these are therefore seen as low risk to the project. The new RO Plant has two categories of interfaces:-

- Category 1 (external) being connections between DBO Contractor works and installations provided by Transco / Load Despatch Centre (LDC) :-

TRANSCO	DBO Contractor meets the requirement of the specification and WSP considers this to be appropriate for the project.
LDC	DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

- Category 2 (internal) being interconnections between New RO Project facilities and existing F1 Plant:-

F1 Special Facilities	includes seawater supply system, MSF reject drain connection, DAF treated seawater from DAF units, I&C, interfaces with RO water tanks and others DBO CONTRACTOR MEETS THE REQUIREMENTS OF THE SPECIFICATION AND WSP CONSIDERS THIS TO BE APPROPRIATE FOR THE PROJECT.
F1 Project Co. Services	chilled water supply, natural gas supply, fuel oil supply, demineralized water, waste water system (oily waste water, storm water, sewage/sanitary waste water), fire water system for pressurized ring main, fire detection, firefighting & alarm system, earthing grid interconnection, internal communication system, CCTV system, GPS for master clock/LAN system, DCS control/monitoring facilities at F1 plant CCR, 132 kV power supply, civil works and road interconnection, DAF treated seawater tie in and others DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

#### 4.5.3 Plant Design Criteria

The specification requires the new RO Plant to be designed, manufactured and configured in such a way that it will achieve high availability, high reliability with minimum power consumption and water production costs.

All parts of the RO Plant are to be suitable in every respect for continuous operation at maximum output as well as part loads, and under the anticipated transient operation conditions and shut down periods as well as the climatic conditions peculiar to the RO Plant Site and environmental restrictions.

#### 4.5.4 Seawater Intake

The seawater required for the new RO Plant and the existing F1 RO Plant is to be abstracted from the existing F1 RO seawater supply pumps together with New Seawater Pumps and reject drains from MSF units of F1 Plant.

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

#### 4.5.5 Seawater Chlorination

The additional Seawater that will be drawn to the plant through the existing Seawater intake pipes will be chlorinated via the F1 Plant chlorination system. The Plant has a spare chlorine generation capacity up to 100 kg/h of free chlorine. The additional chlorine demand required for the Seawater feed from the MSF drain is to be met via the installation of a new commercial NaClO dosing system.

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

#### 4.5.6 Pre-Treatment

The pre-treatment shall consist of a two (2) stage pre-treatment process in order to assure sufficient safety in case of adverse Seawater conditions and qualities. The first stage comprises coagulation/ flocculation followed by a DAF (Dissolved Air Flotation) system and the second stage is dual media filtration system (DMF) proven for similar application of salinity, temperature and silt and organic matter burden.

The pre-treatment system selected for the new RO Plant is capable of handling deteriorating sea water condition during red tides events thereby ensuring new RO plant availability during these events. The DAF system installed for the existing 37.5 MIGD RO plant will also ensure its availability and therefore it will not experience a similar shut-down as experienced in the past during the red tides events in 2008/2009.

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

#### 4.5.7 Cartridge Filter

Cartridge filter is to be used for safety and protection of high pressure pumps and will not be operated as a pre-treatment stage. Cartridge will achieve filtration to the requirements for RO modules. DBO Contractor needs to provide one spare cartridge filter vessel so that filter replacement does not impact on water production. Micron filters will be 5 micron nominal. These filters are to be arranged so that each RO train has a filter upstream of the high pressure pump.

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

#### 4.5.8 Reverse Osmosis System

The first pass RO trains consist of 8 trains with 186 pressure vessels per train with a recovery of 43%. The second pass is a 2 stage RO system with a recovery of 90%.

The RO system has been designed with two pass RO trains with all its auxiliaries. The facility comprises over 12,000 individual membranes in a rack of 7 per pressure vessel (PV). The following table describes the arrangement:-

**Table 11 - New RO Plant Membranes**

Pass	Stage	Trains	Pressure Vessels	Membranes Per Pressure Vessel	Total
First	-	8	186	7	10 416
Second	1	4	62	7	1 736
Second	2	4	18	7	504
<b>TOTAL</b>		<b>16</b>	<b>266</b>	<b>-</b>	<b>12 656</b>

The contract provides for the replacement membranes to be made available in an equal proportion across the 7 years but only replaced in line with the agreed schedule. Costs of supply and replacement are charged to revenue equally over the contract period. The contractor is obliged to replace all RO membranes for each of the first and second RO passes in the facility during the 7 year contract period. Membranes are arranged in racks of 7 within each vessel in the train. This will be undertaken to the following schedule:-

**Table 12 – New RO Plant Membrane Replacement**

Year	Number of Membranes replaced per Pressure Vessel	Number of Membranes replaced per rack	Total number of membranes replaced
1	0	0	0
2	0	0	0
3	1	186	1488
4	1	186	1488
5	1	186	1488
6	2	372	2976
7	2	372	2976
<b>TOTAL</b>	<b>7</b>	<b>1302</b>	<b>10416</b>

In early 2017 the DBO Contractor has replaced lead membranes of the first pass RO racks. The cost associated with the replacement of the membranes were borne by the DBO Contractor. The used or non-replaced membranes will become part of the Handback requirement as per Clause 10 (e) of the DBO Agreement.

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

Planned inspection for maintenance is to be undertaken in a 4 day period during the month deemed to have the lowest water demand – provisionally to be January.

The New RO plant can be operated in a range of train configurations and associated capacities. It is possible to maintain full output (30 MIGD) with only 7 trains in service for up to 48 hours. The following table shows the configurations possible:-

**Table 13 – NEW RO Plant Configurations**

Config	Contract cu.m/day	MIGD	1 <sup>st</sup> Pass Trains No.	2 <sup>nd</sup> Pass Trains No.	Capacity %
a	137 744	30.229	8	4	101
b	120 526	26.512	7	4	88
c	103 308	22.72	6	4	76
d	86 090	18.937	5	3	63
e	68 872	15.150	4	2	51
f	51 654	11.362	4	2	38
g	34 436	7.575	2	1	25
h	17 218	3.787	1	1	13

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

#### 4.5.9 High Pressure Pump

High pressure (HP) pumps are from a reputable manufacturer who has supplied pumps that have been working satisfactorily for not less than five years. Each pump shall be rated to deliver 110 % of the nominal operating flow. The pumps shall be multistage, arranged horizontally. The pump casing, impeller and shaft shall be made of super duplex stainless. The motor drive shall be squirrel cage, 11kV, 3-phase, 50 Hz, IP55, insulation class F.

The pump and motor shall be rated to deliver the full throughput of the RO Plant at delivery pressure matched to RO module requirement.

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

#### 4.5.10 Energy Recovery Device

The Energy Recovery Device (ERD) shall be provided for the first pass RO system; the device shall be based on isobar principle, exchanging the reject pressure with the feed pressure. The efficiency of the ERD shall be greater than 90%.

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

RO Plants Balance of Plant items, chemical dosing systems, storage, Cleaning in Place (CIP) and other items.

The DBO Contractor meets the requirements of the specification and WSP considers this to be appropriate for the project.

#### 4.5.11 Remineralisation Requirements

The product water from the RO Plant shall be treated in the potabilization plant. The treatment process shall be complete and comprise of ; CO<sub>2</sub> generation and injection system, Lime water injection, pH correction system including arrangement for pH booster, if required, corrosion inhibitor dosing and potable water chlorination.

A suitable lime based potabilization system shall be adopted considering the Plant operation and maintenance aspects. The remineralisation plant shall be capable of converting 100% of the product water from the RO Plant into potable water to the required standard.

The DBO Contractor meets the requirements of the specification and WSP consider this to be appropriate for the project.

# 5 PLANT PERFORMANCE DESIGN OVERVIEW

## 5.1 INTRODUCTION

This section of the report reviews the main plant performance guarantees which were offered by the respective EPC Contractors for the Existing Plant, the Plant Extension, and the new expansion RO plant; and the plant performance commitments for the Project Company which will be applicable under the A&R PWPA.

## 5.2 EPC CONTRACT – EXISTING PLANT AND PLANT EXTENSION PERFORMANCE GUARANTEES

The Existing Plant was constructed under an EPC Contract by Doosan. The Doosan EPC Contract contained performance guarantees for different operating cases, the most significant being Case A for full load operation with gas firing. The respective guarantees for the Existing Plant EPC Contract are summarised in the table below. It is noted that because the plant includes water production, the heat rate is not directly comparable with a typical CCGT plant.

**Table 14 – Existing Plant Guarantees**

Parameter	Guarantee
Net Power (MW)	500.01
Net Heat Rate (kJ/kWh)	13,237
Net Water (MIGD)	100.00

The Plant Extension consisted of adding a fifth gas turbine (a GE 9FA), a fifth HRSG and all auxiliary equipment necessary for the operation of this GT and HRSG. The output of the fifth HRSG was not connected to a new steam turbine, but was instead used to bolster the main steam supply feeding the existing steam turbines and MSF units. The respective guarantees for the Plant Extension EPC Contract are summarised in the table below.

**Table 15 – Plant Extension Guarantees**

Parameter	Guarantee
Net Electrical Output (MW)	216.235
Net Heat Rate (kJ/kWh)	10,320
Steam Flow to Existing Plant (t/h)	534.73

### 5.3 DBO CONTRACT – NEW RO PLANT PERFORMANCE GUARANTEES

The new RO plant will take a power supply from the Plant. This will effectively be classed as an auxiliary load from the F1 Plant. The new RO Plant Performance Guarantees provided by the DBO Contractor are summarised in the table below.

**Table 16 – New RO Plant Guarantees**

Parameter	Guarantee
Guaranteed Net Water Output (MIGD)	30
Permeate Water purity expressed as TDS (ppm)	103.67
Guaranteed RO Project Power Consumption (MW)	20.988
Boron Content in the Permeate (ppm)	2.16

### 5.4 COMBINED PLANT PERFORMANCE

Due to the phased construction of the Plant, there does not exist an overall set of EPC performance guarantees for the Plant as a whole. Instead, the Owner has used the plant performance as demonstrated through normal operation and through the historical tests undertaken under the old PWPA. Demonstrated performance of the Plant is discussed in more detail later in this report.

### 5.5 A&R PWPA PLANT PERFORMANCE

The table below summarises the main contracted plant performance commitments which (subject to final agreement) will apply under the A&R PWPA. The Owner advises that Appendix G of the A&R PWPA currently remains under final review with the Offtaker, with some numbers currently square bracketed but not expected to change.

**Table 17 – A&R PWPA Plant Performance**

Period* <sup>1</sup>	Contracted Power Capacity, CCP (MW)	Specific Net Heat Rate <sup>2</sup> , SHR (kJ/kWh), LHV basis	Contracted Water Capacity (MIGD)
CY1	760.0	10,037	130
CY2	760.0	9,997	130
CY3	760.0	10,017	130
CY4	760.0	10,029	130
CY5	760.0	9,999	130
CY6	760.0	10,017	130
CY7	760.0	10,029	130
CY8	760.0	10,032	130
CY9	760.0	10,037	130
CY10	760.0	10,002	130
CY11	760.0	10,019	130
CY12	760.0	10,024	130
CY13	760.0	10,039	130
CY14	760.0	10,004	130
CY15	760.0	10,022	130
CY16	760.0	10,034	130

CY17	760.0	10,037	130
CY18	760.0	10,042	130
CY19	760.0	10,006	130
CY20	760.0	10,024	130

<sup>1</sup> CY = Contract Year.

<sup>2</sup> Heat rate eligible for correction as per A&R PWPA correction factor tables, dependent on operating regime.

### 5.5.1 A&R PWPA Power Plant Performance

Degradation occurs in all CCGT plants reflecting the reduced effectiveness of plant components over time during the plant life. This results in a loss in (i.e. a lower) power output and a worse (i.e. higher) heat rate.

#### POWER CAPACITY

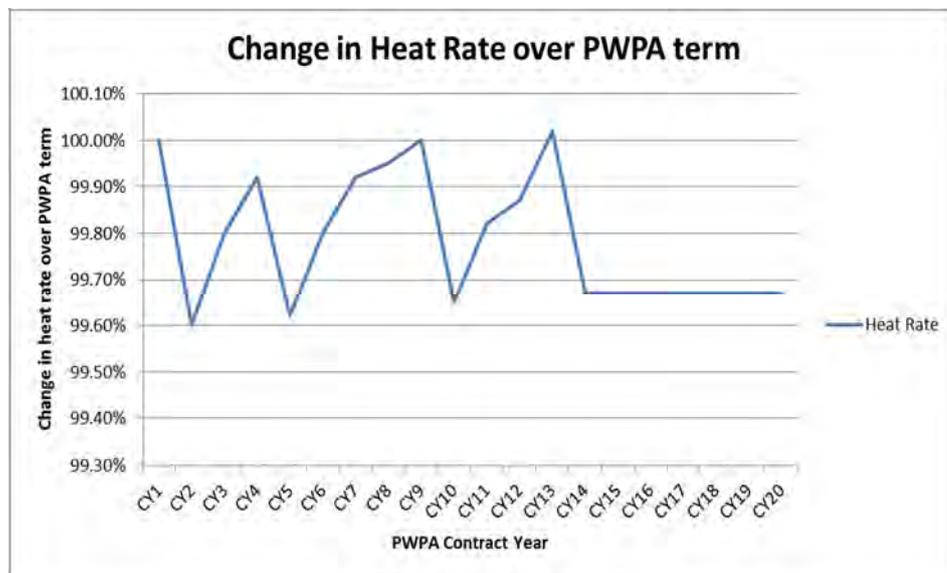
As can be seen from the values in the table above, the Contracted Power Capacity is proposed to be constant over the A&R PWPA term, with Appendix G stating that: "The values take into account an average yearly degradation factor due to ageing of equipment". Power output degradation occurs throughout the life of the plant, with some of this recoverable through planned maintenance. The majority of the plant output degradation is considered to be "banked" already, and a portion of the excess power capacity which has been shown to be available will cater for any further degradation.

#### HEAT RATE

The proposed A&R PWPA heat rates have a varied profile, which are more typical taking cognisance of heat rate degradation and recovery of degradation through periodic maintenance. Heat rate degradation is typically sharper within the early years of plant operation with a more gradual rise after this, and with some recovery achieved through periodic maintenance. Initial heat rate degradation is expected to have already occurred at the plant, as the gas turbines have been installed and operated for some time (four in 2004 and one in 2009).

The graph below shows the changes in heat rate over the A&R PWPA term, expressed in percentage change. The curve shows the classic 'saw-tooth' profile with some recovery of degradation after periodic maintenance of the gas turbines. The higher peak (100%) in CY1 indicates that the engines are towards the end of a maintenance cycle, therefore the improved (lower) value in CY2 indicates that a periodic gas turbine inspection (with associated recovery of degradation) will occur in CY2. Following this is a typical profile representative of degradation then recovery. An assumption is made at this stage within the A&R PWPA that a constant heat rate will apply in CY14-20, which is shown by the flat profile within the graph.

Figure 2 – Heat Rate (% change)



WSP's primary comment on the heat rate is that it expects the actual heat rate recorded at the plant to be consistently higher than the base Contracted Specific Net Heat Rate values (those expressed in the region of 10,000 kJ/kWh). This is because these Contracted values are reflective of the heat rate at rated conditions (CCP and CCW, i.e. at a high despatch operating regime with all gas turbines, steam turbines and water plant in base load operation). Instead, and as modelled in by the Owner in their forecasts going forward (discussed later in this report), it is expected that the actual average heat rate seen at the plant will be reflective of a more varied operating regime and therefore higher values will be recorded. These should be in accordance with Table A-9.2 of A&R PWWA Appendix G, which provides 36 alternative operating scenarios which takes into account different load factors of power and water. For the avoidance of doubt, it should be noted that ESWPC will not be penalised financially for the higher heat rates as higher heat rates are permitted at lower despatch levels as set out in the relevant appendix of the PWWA referred to above.

## GENERATION

The Owner is to deliver the Projected Available Net Energy Generation (MWh p.a) which takes into account projected lost generation due to planned and unplanned unavailability, derating and different availability requirements during the summer and winter periods. Planned Outages are not permitted over the summer period. The table below shows projected generation and based on the Contracted Power Capacity values within the A&R PWWA, WSP has also calculated availability (taking into account planned and unplanned outages) and reliability (taking into account unplanned outages) figures, expressed in %.

Table 18 – A&amp;R PWPA Contracted Power Capacity

Period	Projected Available Net Energy Generation, AGPpn (MWh p.a.)	Equivalent Availability as advised by client (%)	Equivalent Reliability as calculated by WSP (%)
CY1	6,411,512	96.0	98.6
CY2	6,371,463	95.7	98.6
CY3	6,371,141	95.7	98.6
CY4	6,184,148	92.9	98.6
CY5	6,243,852	93.5	98.6
CY6	6,301,161	94.6	98.6
CY7	6,365,212	95.6	98.6
CY8	6,256,553	94.0	98.6
CY9	6,397,989	95.8	98.6
CY10	6,254,820	94.0	98.6
CY11	6,347,292	95.3	98.6
CY12	6,363,843	95.6	98.6
CY13	6,316,151	94.6	98.6
CY14	6,297,865	94.6	98.6
CY15	6,297,865	94.6	98.6
CY16	6,297,865	94.6	98.6
CY17	6,316,105	94.6	98.6
CY18	6,297,865	94.6	98.6
CY19	6,297,865	94.6	98.6
CY20	6,297,865	94.6	98.6

The Projected Available Net Energy Generation targets and the respective availability and reliability figures as calculated by us, over the A&R PWPA term, WSP considers to be realistic and achievable for a plant of this nature.

WSP discusses the ability of the plant to meet future availability obligations, later in this report. WSP's main comment is that if the plant continues to be capable of achieving a higher MW output than the Contracted Power Capacity of 760.0 MW, this will provide further margin to achieve the Projected Available Net Energy Generation targets (subject to the requirement to also produce water, which such surplus power capacity required for in part).

### 5.5.2 A&R PWPA Water Plant Performance

The Contracted Water Capacity values in Appendix G, Table B-1 of the A&R PWPA are set out in Table 17. As can be seen from the values, the Contracted Water Capacity is proposed to be constant over the A&R PWPA term.

Planned Outages are not acceptable during the Summer Period for the existing Desalination Units. In respect of the existing RO Plant and the new RO Plant, Planned Outages may be scheduled during Summer Period and/or Winter Period after agreement with the Offtaker.

The table below provides the projected Available Net Water Production at reference site condition during a Contract year for the period of A&R PWPA. The Owner is to deliver the Projected Available Net Water Production (TIG / a) which takes into account projected lost generation due to planned and unplanned unavailability, derating and different availability requirements during the

summer and winter periods. Based on the Contracted Water Capacity values within the A&R PWPA, WSP has also calculated an equivalent availability and reliability of these figures, expressed in %.

**Table 19 – A&R PWPA Contracted Water Capacity**

Period	Projected Available Net Water Production, AGWpn (TIG / a)	Equivalent Availability as advised by client (%)	Equivalent Reliability as calculated by WSP (%)
CY1	45,657,971	96.0	98.2
CY2	45,541,471	96.0	98.2
CY3	45,548,815	96.0	98.2
CY4	45,555,099	96.0	98.2
CY5	45,679,721	96.0	98.2
CY6	45,544,471	96.0	98.2
CY7	45,532,315	96.0	98.2
CY8	45,542,349	96.0	97.9
CY9	45,672,971	96.0	97.9
CY10	45,542,971	96.0	97.9
CY11	45,542,815	96.0	97.9
CY12	45,542,194	96.0	97.9
CY13	45,672,194	96.0	97.9
CY14	45,542,194	96.0	97.9
CY15	45,542,194	96.0	97.9
CY16	45,542,194	96.0	97.9
CY17	45,672,194	96.0	97.9
CY18	45,542,194	96.0	97.9
CY19	45,542,194	96.0	97.9
CY20	45,542,194	96.0	97.9

WSP discusses the ability of the plant to meet future availability obligations, later in this report. WSP's main comment is that if the plant continues to be capable of achieving a higher MIGD output than the Contracted Water Capacity of 130 MIGD, this will provide margin to achieve the Projected Available Net Water Production targets.

# 6 KEY PROJECT AGREEMENTS

ESWPC has entered into a range of contracts with established providers to support the Fujairah F1 business. The PWPA primarily determines the revenue stream and is focussed on the provision of plant availability rather than simply production. Support contracts are in place with the OEMs covering the higher value (and risk) areas in relation to the new RO plant and the gas turbines. The Sembcorp group has also established an Operations and Maintenance company which provides services to the owner company, itself a wholly owned subsidiary of the Group.

Overall WSP is satisfied with the structure of contracted liabilities across the agreements and that it aligns to market practice in the UAE.

## 6.1 PWPA

The initial 20 year Power and Water Purchase Agreement (PWPA), which was dated 24 April 2006 and came into force in 2009, has been amended and restated (A&R) to reflect the introduction of the New RO plant with a further 30 MIGD capacity. In addition the term has been amended to be 20 years following the Project Commercial Operation Date of the New RO Plant and therefore takes the tariff period to end November 2035 (as the Project Commercial Operation Date was achieved on 1 December 2015).

At this stage the amended and restated agreement is not yet in force and the plant is rewarded for New RO water by a Water Purchase Agreement (WPA) with ADWEC and which provides tariff rates in Appendix G. We are not aware currently of the implementation date for the A&R agreement. The A&R agreement's Appendix G explains the "calculation of payment" and the structure aligns with the previous version with the following elements noted:-

### Plant

- Contracted Water Capacity increases from 100 to 130 MIGD
- projected power availability profile shows 7 years added at the end and first 7 years removed – it is noted that projected losses for Years 14 - 20 merely replicate the values of Year 13 (which are on a lower / conservative side in respect of availability)
- Fuel Demand Model efficiencies have been reduced (i.e. heat rate increases) across all years and operating points, reflecting the consumption of power in the New RO plant - it is noted that heat rates for Years 14-20 merely replicate the values of Year 13 (which are on a higher / conservative side in respect of heat rate)
- Projected losses of water production profile shows a stepped seasonal change after Year 7 but which nets out in total (i.e. annual figures remain constant)

### Pricing

- Capital cost recovery rate for power (CCRP) unchanged
- O&M Power rate has increased:-
  - Fixed from USD 2.120 to 2.869 / MWh to reflect the changed indexation basis
  - Variable from USD 0.0468 to 0.0631 / MWh to reflect the changed indexation basis
- Capital cost recovery charge for water (CCRW) has been reduced from :-
  - USD 2 669 to USD [2 356] / MIG
- O&M Water rate has increased from :-
  - Fixed from USD189.94 to 367.22 / MIG

- Variable from USD 109.13 to 165.64 / MIG
- Indexation now based on January 2011 (was January 2006)
- Foreign portions of the Fixed and Variable Water payments are reduced to 87.07% and 75.01% respectively reducing the exposure to US dollar payments

## 6.2 NEW REVERSE OSMOSIS PLANT

ESWPC has entered into a Design, Build, Operate contract with Acciona Infraestructuras and Acciona Agua SA in relation to the new RO plant. The arrangement is for seven years from Project Commercial Operations Date with the DBO contractor taking responsibility for the operation and maintenance of the plant and subject to specific performance guarantees. A USD 10m Handback Bond is in place, and in our opinion appropriate, to cover potential shortfalls in asset condition and performance as it is handed over to the Project Company at the end of the 7 year contract period.

The contract is structured to reflect the PWPA, ensuring alignment of objectives between the Owner and DBO contractor and mitigating the project risks in relation to performance and the cost of expensive replacement membranes.

**Table 20 – Contract Summary New RO Plant**

Party	Acciona Agua SA and Acciona Infraestructuras SA
Date	15 January 2013
Term	Seven years from PCOD
Cost	<ul style="list-style-type: none"> <li>○ Construction USD 158m subject to Drawdown Schedule on stage completion</li> <li>○ O&amp;M Fixed Fee USD 260.61 per MIG (c. USD 7.8k per day) and subject to deductions for reduced water availability</li> <li>○ O&amp;M Variable Fee comprises two elements:- <ul style="list-style-type: none"> <li>▪ ±USD 16.32 / MWh based on variance in New RO plant power consumption (Incentive and penalty for the Electricity).</li> <li>▪ USD 178.87 MIG</li> </ul> </li> </ul>
Scope	Design Build and Operate (for 7 years of operation as per DBO Agreement)
Guarantees	<p>Provision of net dependable water capacity of 30MIGD with agreed planned / unplanned outages providing c.10700 MIG per annum</p> <p>Specific Power Consumption rate of 16.422 MWh / MIG based on guaranteed RO consumption of 20.528MW</p> <p>Electricity Demand Model used to correct for water demand, trains in operation, varying seawater temperatures and use of DAF system</p> <p>USD 10m Handback Bond in place</p>
Indexation	<p>Applies to Fixed and Variable O&amp;M elements with</p> <ul style="list-style-type: none"> <li>• Contract price based on index at January 2011. Escalates on:- <ul style="list-style-type: none"> <li>• UAE Consumer Price Index except where:-</li> <li>• US Producer Price Index (specifically identified) applied to “foreign portion” :- <ul style="list-style-type: none"> <li>○ Fixed O&amp;M 63.2%</li> <li>○ Variable O&amp;M 13.4%</li> </ul> </li> </ul> </li> </ul>
Exchange Rate	Payments made in USD/AED

## 6.3 CONTRACT SERVICE AGREEMENT

SembCorp Gulf O&M Co Ltd has secured continuing access to GE the Original Equipment Manufacturer (OEM) of the gas turbines via a Contractual Service Agreement which is likely to remain in force until 2029 and anticipated to be extended until 2035. The contract covers the four “Existing” 9E units and the single 9FA “New” unit. The scope is primarily for planned inspections of the gas turbines and generators while compressor work is restricted to “inspect only”. This is not unusual and there is scope to call and pay for “Extra Works” as required.

The planned inspections are determined by the number of factored hours and/or starts. These are derived by an algorithm which reflects the nature of plant operations and fuel type. Cumulative factored fired hours and starts are recorded and used to define the timing of the planned inspection.

Exhibit E (Assumptions) includes a requirement for the ratio of FFH to FS to be 40 or above across the year – i.e. in general, the Contractor is protected against the impact of a sustained two shift regime.

The Owner reports that maintenance activities under this agreement have consistently been performed within the allocated outage window.

**Table 21 – Contract Summary CSA**

Party	General Electric International Operations Company
Date	10 October 2006
Term	<p>For each covered unit, sooner of :-</p> <ul style="list-style-type: none"> <li>• Performance End Date which is later of:- <ul style="list-style-type: none"> <li>○ 160k FFH</li> <li>○ Completion of 3<sup>rd</sup> Major Inspection</li> </ul> </li> <li>• Or 23 years from Contract Effective Date - Oct 2029</li> <li>• Or 20 years from COD of 9FA (New) unit - March 2029</li> </ul>
Cost	<p>New 9FA</p> <ul style="list-style-type: none"> <li>• Fixed Fee \$97 980 per month payable quarterly</li> <li>• Variable Fee \$250 per FFH above 4 000 per annum</li> <li>• FFH Adder Fee :- <ul style="list-style-type: none"> <li>○ 48k FFH = \$ 3 481k</li> <li>○ 96k FFH = \$ 6 400k</li> <li>○ 144k FFH = \$ 2 300k</li> </ul> </li> </ul> <p>Existing 9 E</p> <ul style="list-style-type: none"> <li>• Fixed Fee - not applicable</li> <li>• Variable Fee - not applicable</li> <li>• FFH Adder Fee on <u>each</u> GT <ul style="list-style-type: none"> <li>○ 72k FFH = \$ 2 589k</li> <li>○ 84k FFH = \$ 998k</li> <li>○ 96k FFH = \$ 2 312k</li> <li>○ 108k FFH = \$ 711k</li> <li>○ 120k FFH = \$ 1 747k</li> <li>○ 132k FFH = \$ 1 082k</li> <li>○ 144k FFH = \$ 4 720k</li> <li>○ 160k FFH = \$ 75k</li> </ul> </li> </ul>

Scope	<p>Planned Maintenance of Covered Units</p> <p>Unplanned Maintenance of Covered units (time and material rates basis)</p> <p>Extra /Work (time and material rates basis)</p> <p>Inspect only basis:</p> <table border="1" data-bbox="491 472 1370 741"> <tr> <td data-bbox="491 472 676 589">Turbine rotors</td> <td data-bbox="676 472 943 589">GT compressor vanes, blades and inlet guide vanes</td> <td data-bbox="943 472 1150 589">Generator rotor, stator &amp; windings</td> <td data-bbox="1150 472 1370 589">Generator fan blades</td> </tr> <tr> <td data-bbox="491 589 676 741">Turbine and generator casings &amp; shells</td> <td data-bbox="676 589 943 741">Other GT compressor parts that cannot be removed without GT removal</td> <td data-bbox="943 589 1150 741">Generator hydrogen seal oil system</td> <td data-bbox="1150 589 1370 741"></td> </tr> </table>	Turbine rotors	GT compressor vanes, blades and inlet guide vanes	Generator rotor, stator & windings	Generator fan blades	Turbine and generator casings & shells	Other GT compressor parts that cannot be removed without GT removal	Generator hydrogen seal oil system	
Turbine rotors	GT compressor vanes, blades and inlet guide vanes	Generator rotor, stator & windings	Generator fan blades						
Turbine and generator casings & shells	Other GT compressor parts that cannot be removed without GT removal	Generator hydrogen seal oil system							
Guarantees	<p>9 FA Unit - Total Payments capped at <math>\pm</math> \$150k p.a</p> <ol style="list-style-type: none"> <li>1. Reliability Guarantee <ul style="list-style-type: none"> <li>Peak = 98%, <math>\pm</math> \$ 40k p.a per % point (to <math>\pm</math> \$ 80k p.a max per unit)</li> <li>Off Peak = 97%, <math>\pm</math> \$ 20k p.a per % point (to <math>\pm</math> \$ 40k p.a max per unit)</li> <li>For the 9FA unit, the overall cap for peak and off peak is +/- 80k p.a.</li> </ul> </li> <li>2. Outage Duration Guarantee <ul style="list-style-type: none"> <li>HGPI = 18days, Major = 30.4days</li> <li><math>\pm</math>\$250 per hr (to \$30k max per unit)</li> </ul> </li> <li>3. Output &amp; Heat Rate Recovery Guarantee (post Major outage) <ul style="list-style-type: none"> <li>+ 1% output and (-) 0.25% heat rate</li> <li><math>\pm</math>\$50 per % point deviation from Guarantee (to <math>\pm</math>\$15k per unit per Major Inspection)</li> </ul> </li> </ol> <p>9 E Units - Total Payments capped at <math>\pm</math> \$200k p.a</p> <ol style="list-style-type: none"> <li>4. Reliability Guarantee <ul style="list-style-type: none"> <li>All periods = 99%, <math>\pm</math> \$ 10k p.a. per % point (to <math>\pm</math> \$ 20k p.a. max per unit)</li> </ul> </li> <li>5. Outage Duration Guarantee <ul style="list-style-type: none"> <li>CI = 7 days, HGPI = 16 (bonus) and 17 (LDs) days, Major Inspection = 27 days</li> <li><math>\pm</math>\$200 per hr (to \$30k max per unit and \$60k max across all four)</li> </ul> </li> <li>6. Output &amp; Heat Rate Recovery Guarantee (post Major outage) <ul style="list-style-type: none"> <li>+ 1% output and (-) 0.25% heat rate</li> <li><math>\pm</math>\$50 per % point deviation from Guarantee (to <math>\pm</math>\$15k per unit and <math>\pm</math>\$60k on all four)</li> </ul> </li> </ol>								
Indexation	<ul style="list-style-type: none"> <li>• Contract price based on index at 2006. Escalates on:- <ul style="list-style-type: none"> <li>• Materials - fabricated steel plate (US)</li> <li>• Labour - turbine &amp; turbine generator workers earnings (US)</li> </ul> </li> </ul>								
Exchange Rate	<ul style="list-style-type: none"> <li>• Payments made in US\$</li> </ul>								

## 6.4 OMA

ESWPC is entering into an Amended & Restated Operations and Maintenance Agreement with Sembcorp Gulf O&M Company, itself a wholly owned subsidiary of Sembcorp Industries Limited Pte Ltd. The contract is to supersede the 2006 agreement currently in place. It provides for an initial Fixed Price Operating Period where the contractor earns a relatively high fixed price in accordance with a predetermined 12 year schedule but takes the risk of and settles all associated costs. That period can be foreshortened under certain circumstances with the parties moving to a “Cost Pass Through” arrangement outlined below.

At this stage it is understood that the parties will continue with the Fixed Price regime and the schedule of values is being updated to reflect the cost associated with the New RO plant.

**Table 22 – Contract Summary OMA**

Party	Sembcorp Gulf O&M Company
Date	TBC 2015 (the effective date of the amendment and restatement)
Term	Extended to match the prevailing PWPA
Cost	<p>Contract costs based on :-</p> <ul style="list-style-type: none"> <li>• “Cost pass through operating fee” of USD 2.4m p.a. comprising:- <ul style="list-style-type: none"> <li>○ USD 1.8m Services</li> <li>○ USD 0.6m from New RO Plant Handover Date</li> </ul> </li> <li>• Reimbursement of operating costs incurred</li> </ul>
Scope	Services to safely, dependably and efficiently operate, maintain and repair the Fujairah F1 IWPP Plant
Guarantees	<p>Incentivisation to an aggregated max of ±USD 2.4m p.a. and individually:-</p> <ul style="list-style-type: none"> <li>• Water and Energy Availability - each to ±30% max Owner’s additional PWPA earnings (max ±USD 1.4m p.a. each)</li> <li>• Fuel Demand - to ±30% max of Owner’s earnings (max ±USD 2.0m p.a.)</li> <li>• Budget - to ±10% of Budget variance beyond 5% tolerance band (max USD 2.4m p.a.)</li> </ul>
Indexation	Contract price based on index at January 2011 and escalates on US Producer Price Index (Turbine Manufacturing)
Exchange Rate	<ul style="list-style-type: none"> <li>• Payments made in US\$/AED</li> </ul>

# 7 PLANT TEST RESULTS

## 7.1 INTRODUCTION

This section of the report summarises the various stages of testing relevant to the Plant. It then reviews the historical test results of the various completion and periodic performance tests, and the longer term expected performance of the plant alongside the plant performance commitments which the Project Company is to perform under the current A&R PWPA.

There have been a number of main stages of testing which are reviewed in turn. These are:

→ Existing Plant EPC performance tests	Aug 2004
→ Existing Plant pre-closing tests	Sep 2006
→ Plant Extension EPC performance tests	Apr 2009
→ Combined plant PWPA performance tests	Apr 2009
→ Heat rate tests (not a periodic contractual requirement; required under the Shareholders Agreement)	Apr 2009
→ New RO Plant Performance Tests	2016
→ Periodic (combined) plant PWPA performance tests	Annually

All efficiencies, heat rates and fuel heat consumptions stated in this section are based on the lower heating value (LHV) of the fuel, and net ("sent out") output for power and water.

## 7.2 EXISTING PLANT EPC PERFORMANCE TESTS

The respective guarantees and achieved performance for the Existing Plant, as provided under the EPC Contract by Doosan, are summarised in the table below. These tests were performed in various stages in August 2004, reported in September 2004 and January 2005, and were also subject to some additional factors which changed for subsequent tests. These figures show that the Existing Plant was capable of meeting and exceeding the guarantees.

**Table 23 – 2004 Existing Plant EPC Performance Tests**

Parameter	Guarantee	21 Sep 2004 Test Report	13 Jan 2005 Test Report	Reported <sup>*1</sup>	Variance between Guarantee and Reported
Net Power (MW)	500.010	513.411	532.367	565.907 <sup>*2</sup>	+65.9 MW
Net Heat Rate (kJ/kWh)	13,237	12,796	-	12,038 <sup>*3</sup>	-1,199 kJ/kWh
Net Water (MIGD)	100.00	102.13	-	102.13	+2.1 MIGD

<sup>\*1</sup>: EPC test results and combined performance ability as used for subsequent tests, as outlined further in the next notes.

<sup>\*2</sup>: It was reported that the net power guaranteed and tested in the table above excluded the load on the feeder supplying the Qidfa pumping station. During the test this was 33.540 MW. In future tests, this is included in the Net Power. Thus, the total Net Power of the performance test can be considered to be 565.907 MW (i.e. 532.367 MW + 33.540 MW).

<sup>\*3</sup>: It was reported that the Net Heat Rate similarly excluded the Qidfa load, though this is again included in future tests. Thus the revised Net Heat Rate is 12,038 kJ/kWh.

### 7.3 EXISTING PLANT PRE-CLOSING TESTS

When the Existing Plant was transferred from UWEC to the Project Company, the Asset Transfer Agreement required UWEC to perform a Pre-Closing Net Dependable Capacity (NDC) Test of the plant to confirm this capacity on handover. These tests were performed in September 2006 and are summarised in the table below. The results show that the required capacity was met. The reduction in capacity (2.6% for Power and 1.6% for Water) since the EPC tests is attributable to plant degradation, which is normally higher within the early years of plant operation. The test did not include for the plant heat rate to be demonstrated.

**Table 24 – 2006 Existing Plant Pre-Closing Tests**

Parameter	EPC test (2004/05)	Pre-close Requirement	Results	Variance
Net Power (MW)	565.907	535.000	551.427	+16.4 MW
Net Water (MIGD)	102.13	100.00	100.50	+0.5 MIGD

### 7.4 PLANT EXTENSION EPC PERFORMANCE TESTS

The Plant Extension, comprising of an add-on GT and HRSG, was undertaken by an EPC consortium. The performance tests were conducted in March 2009 after a 4½ month delay in takeover. The respective guarantees and achieved performance for the Plant Extension are summarised in the table below. The results show that the required parameters were met.

**Table 25 – 2009 Plant Extension EPC Performance Tests**

Parameter	Guarantee	Results	Variance
Net Electrical Output (MW)	216.235	219.330	+3.1 MW
Net Heat Rate (kJ/kWh) (MIGD)	10,320	10,292	-28.0 kJ/kWh
Steam Flow to Existing Plant (t/h)	534.73	540.44	+5.7 t/h

### 7.5 COMBINED PLANT PWPA PERFORMANCE TESTS

The prevailing PWPA contained test requirements for both the Plant Extension and the combined plant, to be witnessed by ADWEA. The target values and results from these performance tests are summarised in the table below. The results show that the required capacities were met.

**Table 26 – 2009 Combined Plant PWPA Performance Tests**

Parameter	PWPA Requirement	Results	Variance
Contracted Power Capacity (MW)	760.0	788.090	+28.1 MW
Contracted Water Capacity (MIGD)	100.0	101.17	+1.2 kJ/kWh
Specific Net Heat Rate (kJ/kWh)	9,747 <sup>*1</sup>	NA	NA

<sup>1</sup> average from PCOD to end of term (pre-A&R PWPA)

The prevailing PWPA required that these parameters were stated for each year to account for degradation, which is common practice in these agreements. However, the Project Company assumed the same value for power and water capacity in each year, the logic being that there would be sufficient margin expected from the initial plant performance to account for on-going degradation. As discussed earlier, it is apparent that this methodology will continue for the A&R PWPA.

## 7.6 HEAT RATE TESTS

Historically the only requirement for a heat rate test was for a Net Heat Rate Test to be conducted under the Shareholders Agreement at the time of PCOD. This test (undertaken on 15 April 2009) resulted in a Net Heat Rate of 9,748 kJ/kWh which was a higher (worse) value than the PWPA Net Heat Rate at the time of 9,700 kJ/kWh. However, the Shareholders Agreement allowed for an uncertainty to be included which relaxed the declared Net Heat Rate to 9,668 kJ/kWh, thus allowing the contractual value to be met.

## 7.7 COMBINED PLANT – HISTORIC PWPA PERFORMANCE TESTS

Following PCOD, the combined plant Net Dependable Power Capacity (DCP) and Net Dependable Water Capacity (DCW) are tested. DCP and DCW form the basis of the PWPA payments in each year.

The table below show the results of the periodic performance tests undertaken to demonstrate compliance with the PWPA requirements.

**Table 27 – Historic PWPA Performance Tests**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Power (MW)</b>											
Contracted	535	535	535	760	760	760	760	760	760	760	760
Test	553	570	NA <sup>*1</sup>	788	797	784	789	775	782	779	769
<b>Variance</b>	<b>+18</b>	<b>+35</b>	<b>-</b>	<b>+28</b>	<b>+37</b>	<b>+24</b>	<b>+29</b>	<b>+15</b>	<b>+22</b>	<b>+19</b>	<b>+9</b>
<b>Water (MIGD)</b>											
Contracted	100	100	100	100	100	100	100	100	100	100	100 <sup>*3</sup>
Test	101	102	NA	101	103	100	102	103	103	102	102 <sup>*3</sup>
<b>Variance</b>	<b>+1</b>	<b>+2</b>	<b>-</b>	<b>+1</b>	<b>+3</b>	<b>-</b>	<b>+2</b>	<b>+3</b>	<b>+3</b>	<b>+2</b>	<b>+2</b>

\*1: Testing only contractually required after PCOD in 2009 therefore no test conducted in 2008.

\*2: 2017 NDC Test not yet completed.

\*3: 2016 Figures do not include additional 30 MIGD produced by the New RO Plant under the WPA during the NDCT

As seen above, the plant has continually passed the periodic tests, with notable margins in capacity. This is important for future tests under the A&R PWPA, as the addition of the new RO plant will act as a further auxiliary load, which whilst allowing for increased water production will result in a decrease in net plant power capacity. This is shown in the results of the 2016 Net Dependable Capacity Test, in which the New RO Plant was fully operated at 30 MIGD and the Net Dependable Power Capacity was still comfortably met.

## 7.8 NEW RO PLANT PERFORMANCE TESTS

The DBO Contractor has provided the following guarantees in the DBO Contract;

### 7.8.1 Performance Guarantee for RO Plant

The reference site condition for the RO Plant Performance Guarantee is;

Seawater Temperature – 330 C

Seawater TDS – 40,500 ppm

Boron Concentration in Sweater – 6 mg/l

The DAF of the new RO Plant will receive seawater from three sources;

**Table 28 – Guaranteed treated seawater flow**

Seawater Source	Flow ( m <sup>3</sup> /h)
Seawater from the existing seawater pumps of F1 Plant	19,975
Seawater from the new seawater pumps for the new RO Plant	7,700
MSF reject water flow from the existing MSF plants	6,849
Guaranteed treated seawater flow	35,525

DAF treated seawater flow guarantee;

**Table 29 – Guaranteed DAF treated seawater flow**

Plants	Flow ( m <sup>3</sup> /h)
DAF F1 treated seawater flow	19,676
DAF new RO Plant treated seawater flow	14,404
Guaranteed DAF treated seawater flow	34,080

The existing F1 plant will be provided with the guaranteed DAF treated water as mentioned in table 26 by the DBO Contractor during the term of DBO Agreement.

Guaranteed Net Water Output, availability and permeate quality guarantees are given in below table;

**Table 30 – The new RO Plant Guarantees**

Guarantees	
Net Water Output	97.67
Permeate Water purity in TDS	103.67 ppm
Permeate water purity in Conductivity	207.34 $\mu$ S/cm
Guaranteed Project Power Consumption	20,988 MW
Plant availability	97.67

The maximum new RO Plant membrane replacement guarantees are provided in below table;

**Table 31 – Membrane replacement Guarantees**

Replacement Schedule in %	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	CARR (*)
First Pass	14.28%	14.28%	14.28%	14.28%	14.28%	14.28%	14.28%	100%
Second Pass	14.28%	14.28%	14.28%	14.28%	15.28%	15.28%	14.28%	100%

(\*) CARR = Cumulative Annual Replacement Rate

At the end of the DBO Contract (7 years period), all the membranes in the first pass and second pass of the new RO plant will be replaced by the DBO Contractor.

The DBO Contractor has achieved all performance guarantees except DAF F1 treated seawater flow and Noise level Guarantees as per the DBO Contract. The PCOD of the New RO Plant was achieved on 01 December 2015 DAF F1 treated seawater flow and Noise level Guarantees were included in the Punch List which is to be completed by the DBO Contractor. The DBO Contractor has finalized the design and approval for which has been granted by the ESC. The implementation schedule is yet to be submitted by the DBO Contractor. Further details on this is provided in Section 8.4.4 of this report.

### 7.8.2 Performance Guarantee for DAF

The following DAF Guarantees are provided in the DBO Contract;

**Table 32 – DAF Guarantees**

<b>Guarantees</b>	
DAF F1 treated seawater flow	19,676 m <sup>3</sup> /h
DAF Guaranteed treated seawater quality	
SD115 of DAF treated seawater	≤ 4.0 (90 % times)
SD115 of DAF treated seawater	≤ 5.0 (100 % times)
Total Suspended Solids (TSS) of the treated seawater	≤ 2 mg/l
Turbidity of the treated seawater	≤ 0.3 NTU

The DAF treated seawater quality is guaranteed for all the time of operation of the DAF including during “Red Tide” conditions with a phytoplankton count of 105n/ml.

The DAF is supplied from a well know DAF supplier (ITT) and the technology is well proven. The DBO Contractor was not able to achieve the DAF F1 treated seawater flow Guarantee. The DAF treated seawater flow to the existing RO Plant DMF is by gravity. Investigation revealed that the DBO Contractor’s incorrect assumptions in the hydraulic loss calculation was the reason for this shortcoming. The DBO Contractor has finalized the design changes which has been agreed by the ESC. The DBO Contractor is yet to provide implementation schedule for the agreed design changes. We consider the proposed design changes will meet DAF F1 treated seawater flow Guarantees. Further details on this is provided in Section 8.4.4 of this report

### 7.8.3 Potable Water Quality Guarantee

The following Potable Water Quality Guarantees are provided in the DBO Contract;

**Table 33 – Potable Water Quality Guarantees**

<b>Guarantees</b>	
Maximum content of TDS	200 mg/l
Minimum content of TDS	100 mg/l
Chloride	100 mg/l
Boron	<2.4 mg/l
pH	7-9.2
Turbidity	<4
Saturation Index according to DIN 38404-10, calculation mode 2	0.0-0.5

All other characteristics in compliance with the Abu Dhabi Water Quality Regulations (latest revision) and WHO drinking water guidelines (latest revision)

The DBO Contractor has achieved the Potable Water Quality Guarantees during the Performance Test.

Other guarantees such as Noise Guarantee and Discharge to the Environment is in line with the industrial norms. The DBO Contractor is has achieved Guarantees related to Discharge to the Environment. Noise Guarantee is yet to be achieved by the DBO Contractor. The DBO Contractor has finalized the design and approval for which has been granted by the ESC. The implementation schedule is yet to be submitted by the DBO Contractor. Further details on this is provided in Section 8.4.6 of this report.

# 8

## NEW RO EXTENSION PLANT COMPLETION TEST AND OPERATION REVIEW

### 8.1 INTRODUCTION

WSP was asked to review the RO extension plant completion tests (Performance and Reliability Test) and Operations period review from the Lenders as a part of the Lender's Technical Due Diligence for Fujairah F1 Refinancing project.

WSP has carried out a desktop review of the data provided for Performance Test, Reliability Tests and Plant Operation Data from December 2015 to December 2016. A site visit was undertaken on 04 May 2017.

Below we provide a summary of our findings.

### 8.2 PERFORMANCE TEST

The Performance Test Plan developed by the DBO Contractor meeting all the requirements of the DBO Contract and was approved by the Client. The Performance Test Plan was appropriate for the project. The Performance Test was carried out from October 11 (16:00 hours) to October 12 (16:00 hours), 2015.

The DBO Contractor proposed to carry out the Performance test with the RO Plant in N-1 configuration (7 numbers of 1<sup>st</sup> Pass RO racks) instead of normal plant configuration (i.e. 8 numbers of 1<sup>st</sup> Pass RO racks). This was necessitated due to non-availability of HP pump (Pump No. 5). Representatives of the DBO Contractor (ACCIONA), Owner's Engineer (ILF), SGOMC, ESWPC and ADWEC reviewed the above and accepted the proposed RO Plant configuration for the commencement of the Performance Test. WSP has seen the signed letter dated 11 October 2015 and considers the Performance Test in N-1 configuration was appropriate for the project.

### 8.3 PLANT CONFIGURATION DURING THE PERFORMANCE TEST

Shortly before the planned start of the Performance Test, one HP pump (No. 5) became unavailable due to a shift in the mechanical seal. After reviewing the situation, the DBO Contractor proposed to run the performance test under N- 1 configuration (7 nos. 1<sup>st</sup> Pass RO racks instead of 8 racks) instead of the normal plant configuration. The stakeholders, ESWPC and ADWEC reviewed the proposal along with the Owner's Engineer (ILF) and agreed with the BDO Contractor's proposal.

Some exemption was agreed prior to the start of the performance test such as the Sludge Treatment System (for lack of sludge due to favourable seawater conditions) and the Diesel Generator Set that would have required a full shut-down of the plant.

A period of stabilization of the plant was conducted which ended at 16:00 on 11 October 2015 with the Performance Test starting then after. WSP considers that the plant configuration for the Performance Test was appropriate for the project.

## 8.4 PERFORMANCE TEST RESULTS

### 8.4.1 Net Water Output

The following total daily production and hourly production was achieved during the 24 hours performance test;

- Total Daily Production - 30.31 MIGD
- Average Hourly Production – 5,741.5 m<sup>3</sup>/h

The Performance Test met the Net Water Output Guarantee of the DBO Contract and WSP considers this is appropriate for the project.

### 8.4.2 Power Consumption

The total Power Consumption of the RO extension plant during the performance test was 17.6 MW (3,388 MW below the Guaranteed Power Consumption of 20.988 MW).

Considering the RO Plant Configuration (N-1), a power consumption correction (worst case scenario calculation of +2.403 MW) was applied. The Adjusted Power Consumption for the RO extension plant was 20.003 MW.

The Performance Test met the Power Consumption Guarantee of the DBO Contract and WSP considers this is appropriate for the project.

### 8.4.3 Potable Water Quality

During the Performance Test five (5) samples were collected which were to be analysed by the external independent laboratory. The samples were analysed by Exova Limited (Abu Dhabi). WSP has seen the Signed Potable Water Analysis report from Exova and all the parameters were within the Guarantee limits of the DBO Contract. The samples were also analysed by ESWPC Laboratory and on site by Exova Chemist.

The Performance Test meets the Potable Water Quality Guarantee of the DBO Contract and WSP considers this is appropriate for the project.

### 8.4.4 DAF Guaranteed Treated Flow and Quality

Seven (7) DAF was in service and another one in standby. Average flow achieved from the DAF was 15,106 m<sup>3</sup>/h and maximum flow achieved was 15,913 m<sup>3</sup>/h.

The DBO Contractor achieved the Quality Guarantee of the DAF Treated Water.

The DBO Contractor did not achieve the DAF guaranteed treated water flow to the existing RO Plant. This was included in the Punch List. This was scheduled to be completed by the DBO Contractor by September 29, 2016 however this is yet to be completed.

Investigation revealed that the DBO Contractor's incorrect assumptions in the hydraulic loss calculation was the reason for this shortcoming. The DBO Contractor has completed the design review to overcome the shortfall in the DAF Treated Flow Guarantee to the existing RO Plant DMF. Two different solutions were considered;

- a. Installation of a pump to overcome the hydraulic losses (transfer DAF treated water to the existing RO Plant DMF)

b. Vacuum ejector based system.

Vacuum Ejector based system have been finalized considering required flows, safety during implementation, efficiency and head loss. New RO Plant air system will be used. Air Receiver Tank will be added to the circuit, which will help the vacuum system and steadily supply air peak requirements. Water coming from new DAF system will already be flocculated in the individual flocculation chambers of each DAF cell. No other chemical dosing will be necessary. Additionally a vacuum ejector has no rotating parts and easy to maintain. Any increase in electricity consumption as a result of proposed solution shall be within the guarantee limit of the RO extension plant electrical consumption guarantee.

ESC has informed that the DBO Contractor will undertake the installation of vacuum ejector based system at its own cost. ESC is awaiting implementation schedule for the proposed solution.

WSP has reviewed the proposed design for the vacuum ejector based solution and consider this to be acceptable. However, this shall be confirmed when the problem is resolved by the DBO Contractor.

#### 8.4.5 Guaranteed Effluent Quality

A discharge sample was taken after 12 hours from the official start of the Performance test. The sample was analysed by an external laboratory 'Exova Limited (Abu Dhabi).

WSP has seen the signed Effluent Water Analysis report from Exova and all the parameters were within the Guarantee limits of the DBO Contract.

The Performance Test meets the Effluent Quality (Discharge to Environment) Guarantee of the DBO Contract and WSP considers this is appropriate for the project.

#### 8.4.6 Noise Level

Noise level is 10 dB above the DBO Contract Guarantee. Noise from the MV Switchgear also came due to opening in the floor.

Noise Level Guarantee of the DBO Contract was not achieved during the Performance Test and this was included in the Punch List. This was to be completed by the DBO Contractor by April 18, 2016 however this is yet to be completed.

The DBO Contractor and external noise consultants (KEMA) are to resolve the noise level issue for the New RO Plant. The noise consultant has conducted a site review, took noise measurements and completed their analysis report along with reasonable and practicable measures to reduce noise emissions. WSP have reviewed the proposed solution and methodology for meeting Noise Level Guarantee of the DBO Contract and we consider these are acceptable. The DBO Contractor is yet to submit the implementation schedule.

WSP considers that the progress work for Noise Level Reduction shall be monitored closely and a successful resolution of the Noise Level Guarantee shall be reported to the stakeholders on the project.

## 8.5 RELIABILITY TEST

The Reliability Test was conducted as per the requirements of the DBO Contract with full RO trains of the New RO Plant in operation. ESC informed that ADWEC representative was at site during the reliability test period and it was conducted under strict supervision of all the stakeholders on the project. The test was started a week after the completion of the Performance Test. The Reliability Test was started on October 18, 2015 at 9:00pm and finished on November 19, 2015 at 5:00pm.

The 30 day period of the Reliability Test results are shown in Table 8.1 below. On the day 22 of the Reliability Test, the New RO Plant tripped. The DBO Contractor decided to utilize the maximum allowed shutdown duration of 12hrs in the DBO Contract during phase 3 (21-30 day) of the reliability test to do some other minor maintenance and restart the reliability test for phase 3, i.e. Day 21. This prolonged the duration of the reliability test to 32 days in total. No major issues were reported during the reliability test period.

Table 34 – Reliability Test

RTR Phases	Day	Day (RTR)	Start Date	End Date	Availability		No of Racks declared available	Major Issues	Remark
					DBO Declaration (MIGD)	LDC Request (MIGD)			
Phase 1	1	1	18.10.2015 at 9:00 pm	19.10.2015 at 9:00Pm	30	30	8	None	
	2	2	19.10.2015 at 9:00Pm	20.10.2015 at 9.00pm	30	30	8	-	
	3	3	20.10.2015 at 9.00pm	21.10.2015 at 9.00pm	30	30	8	-	
	4	4	21.10.2015 at 9.00pm	22.10.2015 at 9.00pm	30	30	8	-	
	5	5	22.10.2015 at 9.00pm	23.10.2015 at 9.00pm	30	30	8	-	
	6	6	23.10.2015 at 9.00pm	24.10.2015 at 9.00pm	30	30	8	-	
	7	7	24.10.2015 at 9.00pm	25.10.2015 at 9.00pm	30	30	8	-	
	8	8	25.10.2015 at 9.00pm	26.10.2015 at 9.00pm	30	30	8	-	
	9	9	26.10.2015 at 9.00pm	27.10.2015 at 9.00pm	30	30	8	-	
	10	10	27.10.2015 at 9.00pm	28.10.2015 at 9.00pm	30	30	8	-	
Phase 2	11	11	28.10.2015 at 9.00pm	29.10.2015 at 9.00pm	30	30	8	-	
	12	12	29.10.2015 at 9.00pm	30.10.2015 at 9.00pm	30	30	8	-	
	13	13	30.10.2015 at 9.00pm	31.10.2015 at 9.00pm	30	30	8	-	
	14	14	31.10.2015 at 9.00pm	1.11.2015 at 9.00pm	30	30	8	-	
	15	15	1.11.2015 at 9.00pm	2.11.2015 at 9.00pm	30	30	8	-	
	16	16	2.11.2015 at 9.00pm	3.11.2015 at 9.00pm	30	30	8	-	
	17	17	3.11.2015 at 9.00pm	4.11.2015 at 9.00pm	30	30	8	-	
	18	18	4.11.2015 at 9.00pm	5.11.2015 at 9.00pm	30	30	8	-	
	19	19	5.11.2015 at 9.00pm	6.11.2015 at 9.00pm	30	30/15/7.5	8	-	LDC request logged
	20	20	6.11.2015 at 9.00pm	7.11.2015 at 9.00pm	30	3.75	8	-	LDC request logged
	21	0	7.11.2015 at 9.00pm	8.11.2015 at 9.00pm	30	26.25	8	-	LDC request logged
	22	0	8.11.2015 at 9.00pm	9.11.2015 at 4.00am	30	26.25/18.75	0	Plant Tripped for 12 hrs	

RTR Phases	Day	Day (RTR)	Start Date	End Date	Availability	No of Racks declared available	Major Issues	Remark	
Phase 3	23	21	9.11.2015 at 5.00pm	10.11.2015 at 5.00pm	30	18.75/11.25	8	Plant restarted for RTR Phase 3 (day 21)	
	24	22	10.11.2015 at 5.00pm	11.11.2015 at 5.00pm	30	11.25/30	8	none	LDC request logged
	25	23	11.11.2015 at 5.00pm	12.11.2015 at 5.00pm	30	30	8	-	
	26	24	12.11.2015 at 5.00pm	13.11.2015 at 5.00pm	30	30/3.75	8	-	LDC request logged
	27	25	13.11.2015 at 5.00pm	14.11.2015 at 5.00pm	30	3.75/22.5	8	-	LDC request logged
	28	26	14.11.2015 at 5.00pm	15.11.2015 at 5.00pm	30	30	8	-	
	29	27	15.11.2015 at 5.00pm	16.11.2015 at 5.00pm	30	30	8	-	
	30	28	16.11.2015 at 5.00pm	17.11.2015 at 5.00pm	30	30	8	-	
	31	29	17.11.2015 at 5.00pm	18.11.2015 at 5.00pm	30	30	8	-	
	32	30	18.11.2015 at 5.00pm	19.11.2015 at 5.00pm	30	30	8	-	

In order to assess that the New RO Plant has performed as per the DBO Contract requirements, the following parameters as indicated in Table 8.2 were continuously logged/analysed by the internal lab during the reliability test period;

Table 35 – Parameters logged/analysed during the Reliability Test

S. NO	PARAMETER	LOCATION	METHOD
1	Daily Net Water Output	Flow Transmitter located at upstream of the RO Water Tanks	Online Average
2	Daily output of each RO 1 <sup>st</sup> Pass Racks	Respective individual flow transmitter	Online Average
3	Daily 1 <sup>st</sup> RO DP trend for each rack	Pressure difference	Online. Cumulative
4	Daily output of each 2 <sup>nd</sup> Pass RO racks	Respective individual flow transmitter	Online Average
5	Daily total water output for the DMF filtration stage	-	Online Average
6	Daily total water output from intake	Respective flow transmitters	Online Average
7	TDS	2 × samples (every 12 hrs)	Internal lab
8	Chloride	2 × samples (every 12 hrs)	Internal lab
9	Boron	2 × samples (every 12 hrs)	Internal lab
10	Bicarbonates	2 × samples (every 12 hrs)	Internal lab
11	Calcium	2 × samples (every 12 hrs)	Internal lab
12	pH	2 × samples (every 12 hrs)	Internal lab
13	Turbidity	2 × samples (every 12 hrs)	Internal lab
14	Residual Chlorine	2 × samples (every 12 hrs)	Internal lab
15	Saturation index according to DIN 38404-10	2 × samples (every 12 hrs)	Internal lab

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In addition to the parameters shown in table 8.2, the following data and trends were taken and analysed.

- Log of all backwashing procedures performed on the DMF units.
- Log of all backwashing procedures performed on cartridge filters.
- Log of all flushing procedure procedures performed on RO racks.
- Log of all CIP procedures performed on RO racks.
- Log of any interruptions including time the interruption occurred and time when the interruption was resolved restoring the plant output within the specification for the time period where it occurred.
- Log of any duty standby changeover in the RO plant main equipment.
- DCS Alarm log.

Based on the information analysed, WSP considers that the New RO Plant has completed the Reliability Test as per the requirements of the DBO Contract.

## 8.6 PCOD CERTIFICATE

ESC issued a Project Commercial Operation Date (PCOD) Certificate to the DBO Contractor on November 30, 2015. This was issued after about 11 days of the completion of the Reliability Test when all the results from the external laboratory were available and analysed for compliance with the DBO Contract requirements. The major items mentioned in the certificate were the following;

- The ESC confirms that it accepts the results of Performance and Reliability testing procedure undertaken and reports produced by the DBO Contractor. The PCOD has been achieved in respect of the New RO Plant with effect from 01 December 2015 at 00:00 hours.
- The DBO Contractor is required to complete the Punch List by their respective completion dates. Any failure, without reasonable cause, by the DBO Contractor to complete all the matters contained in the PCOD Punch List by their respective completion dates shall entitle the ESC to all rights and remedies contained in the DBO Agreement or otherwise available at law.
- Retention Guarantee Bond 3% of construction value (USD 4,740,958) provided by the DBO Contractor is available with ESC, and currently valid till Nov 2017 as the Punch List items are yet to be completed by the DBO Contractor.
- The PCOD Certificate includes the below mentioned Punch List;

**Table 36 – Punch List Items**

S. No.	Details / Issue	Completion Dates	Remark
1	DAF treated water flow to existing RO Plant DMF(pumping solution)	September 29, 2016	Implementation schedule awaited. Expected completion time is 6-9 months.
2	Mitigation of excessive Noise Emissions	April 18, 2016	Implementation schedule awaited. Expected completion time is 3 months.
3	Completion of Road Works	December 22, 2015	Completed
4	Completion of agreed Plant Punch List	April 18, 2016	43 minor items are pending. Expected completion time is 6 months.
5	Completion of agreed Defects/Deficiency List	April 18, 2016	Yet to be completed

Based on the information reviewed, WSP confirms that the RO Extension plant achieved PCOD on December 01, 2015 at 00:00 hours.

## 8.7 OPERATION REVIEW OF THE NEW RO PLANT

### 8.7.1 Introduction

The New RO Plant achieved PCOD on December 01, 2015 at 00:00am.

WSP has reviewed the New RO Plant Operation from 01 December 2015 to 31 December 2016.

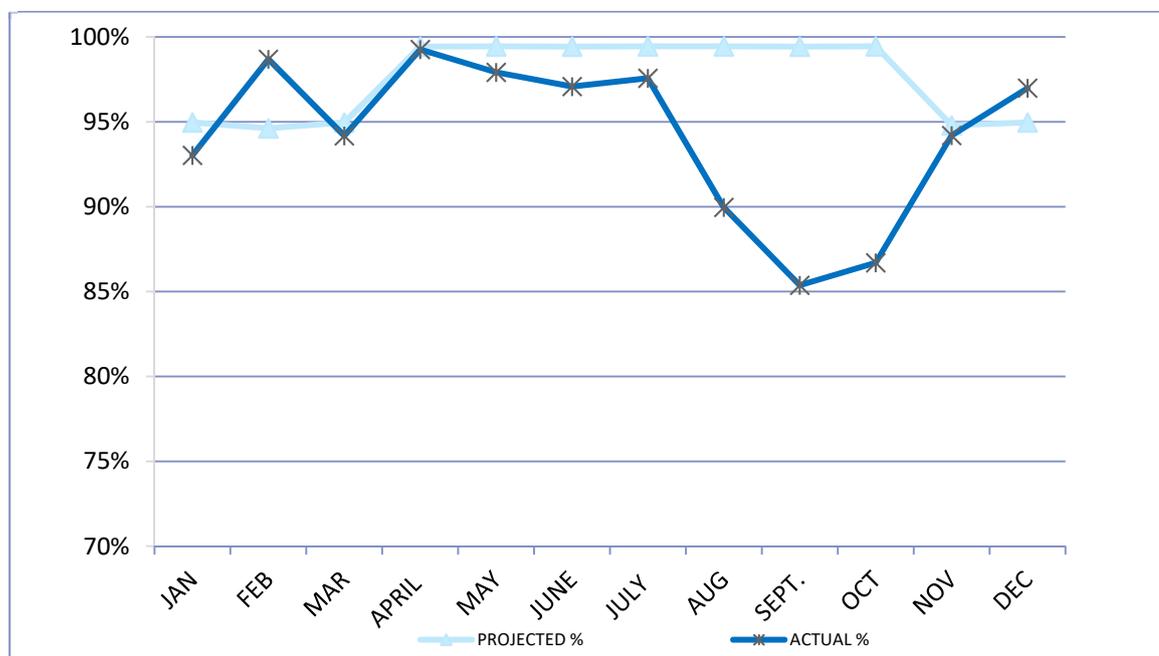
Below WSP provides its review of the monthly reports based on the review of the report produced by the DBO Contractor for the period.

### 8.7.2 Plant Performance

Key indicators of the plant performances during the period are summarized in table 8.4 below.

**Table 37 – New RO Plant Performance - 2016.**

NEW RO PLANT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD AVERAGE
Projected %	94.97	94.62	94.97	99.43	99.45	99.43	99.45	99.45	99.43	99.45	94.80	94.97	97.53
Actual %	93.03	98.69	94.17	99.26	97.92	97.08	97.57	89.96	85.37	86.70	94.19	96.99	94.24



The New RO Plant has lower availability in 2016 compared to projected availability. The availability of the New RO Plant was significantly lower than the project availability during the

months of August, September and October 2016. WSP has reviewed the trip list of the New RO Plant for 2016. The reduced availability during the period was mainly due to the following;

- a. HP pump failure due to grub screw loosening – design issue (now fixed). This pump was under warranty with the OEM. HP pump manufacturer (Torishima) replaced the pump under Warranty quickly.
- b. ERD pump failure due to the shaft seizure – design issue (now fixed). ERD Pump manufacturer (Sulzer) gave a lead time for the delivery of shaft and repair of about 10 weeks. ESC and the DBO decided to go for reverse engineering of the same shaft and put the system in place. The revenue loss due to ERD Pump was covered under plant Insurance.
- c. Power supply failure.
- d. CIP issue (3 racks of the New RO Plant had to be isolated to do the CIP on 1 rack thereby causing reduced unavailability).
- e. DCS issues/communication failure.
- f. Initial Teething issues (such as defects on the cartridge filter base plate, DMF unit underdrain loosen screws, membrane fouling issue, trips due to communication and PLC Network issues)- identifying the issue and to solve these issues required shutdown of the New RO plant.

The DBO Contractor undertook operation improvement studies and came up with major improvements for the following;

- a. HP rings feeding all RO rack instead of direct feeding from the HP pump – Increased HP Pump availability.
- b. PLC upgrade
- c. CIP issue resolution – Isolation of only one rack in CIP. We have reviewed the CIP frequency and consider this to be typical for the project of this type of technology.
- d. Lead RO membrane replacement of the 1<sup>st</sup> Pass RO. This was done due to bio-fouling of the lead membranes partly due to defects on the cartridge filter base plate, DMF unit underdrain loosen screws. These are now resolved.
- e. Other minor improvements

These improvements were undertaken in the month of November-December 2016 and January 2017. Partial/ full shutdown of the New RO Plant was required to implement these improvement during the period which exceeded the time allotted for the planned maintenance during winter period as per the DBO Contract.

Table 38 below provides the availability figures for the New RO Plant after implementation of the above mentioned operational improvements.

**Table 38 – New RO Plant Performance - 2017.**

NEW RO PLANT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD AVERAGE
Projected %	95.19	94.68	95.19	99.48	99.49	99.48	99.49	99.49	99.48	99.49	95.03	95.29	96.14
Actual %	84.20	99.48	99.38	100.0	100.0	98.6	100.0	100.0	99.5				95.77

Post implementation of operational improvement discussed above, the availability of the New RO Plant shows significant improvement in the months of February, March and April 2017. The New RO Plant achieved the availability of 100% in the month of April 2017. We consider that the New RO Plant will be able to meet the availability requirement going forward and plant operation will be further stabilized after implementation of other minor operational improvements.

WSP undertook the site visit of the New RO Plant on 04 May 2017 and reviewed the performance improvement as a result of these changes. Further we reviewed an ongoing improvement for the DAF Compressors. The DBO Contractor is building a separate housing for the DAF Compressor to avoid rusting of the compressors in an aggressive environment (saline) in the DAF Compartment. This is expected to increase the life expectancy of the DAF Compressors. The civil construction for the housing is expected to be complete in the month of June 2016 and relocation of the DAF compressors will be carried out once the housing construction is complete.

### 8.7.3 Net Dependable Capacity Test (NDCT)– Contract Year 2

The purpose of the NDCT for the New RO Plant was to;

- a. demonstrate the Net Dependable Water Capacity of the RO plant
- b. demonstrate the basis for the O&M Fixed Fees of the RO plant in accordance with the provisions of the DBO 'Appendix G'

The NDCT as per the DBO Contract was completed for the Contract Year 02 (11 April 2017, 1 15:00 hrs to 12 April 2017, 15:00 hrs). During the NDCT the water produced was delivered to the RO water tanks/delivered ultimately to the Transco network).

#### 8.7.3.1 NDCT - Net Water Output

The following total daily production (24 hrs period) was achieved during the 24 hours NDCT;

→ Total Daily Production - 31.071 MIGD (main meter)

Three samples of the Potable Water were taken during NDCT. Analysis of the Potable Water was conducted by external laboratory (Geo Chem).

WSP has reviewed the NDCT result including the lab analysis results of the Potable Water. We consider the NDCT results are acceptable.

### 8.7.4 Consumption of Chemicals

Daily chemical consumptions are reported in the monthly reports for the New RO Plant. The chemical lists and daily chemical consumption for 2016 have been reviewed by WSP who considers the Chemical consumption of the New RO Plant is acceptable.

#### 8.7.5 Health, Safety and Environment (HSE)

HSE issues, training, incident/near misses are reported consistently in the monthly reports by the DBO Contractor. HSE trainings have been provided to DBO Contractor's O&M staff members. No major HSE issues have been reported.

WSP considers that the DBO Contractor is maintaining HSE issues well. During the site visit appropriate HSE Practice was found to be in place at the New RO Plant site.

#### 8.7.6 Discharge Water Analysis

Weekly samples of the New RO Plant discharge water are analysed and reported consistently in the monthly reports. During 2016 the discharge water analysis showed that the New RO Plant has consistently achieved the DBO Contract quality guarantee for discharge water.

#### 8.7.7 Potable Water Analysis

Potable water samples are collected and analysed at on-site laboratory daily. During 2016 the potable water analysis showed that the New RO Plant has consistently achieved the DBO Contract quality guarantee for the potable water.

# 9

## LEGACY/TECHNICAL ISSUES

### 9.1 OUTLINE

During the commissioning phase and the initial years of commercial operation, a number of technical issues were identified with the Plant requiring remedial works and resolution. This is typical of almost all power and desalination plants of the size and complexity of Fujairah F1. Having commenced commercial operation in 2004, the station is now in its thirteenth year of operation and as such all of the early commissioning design and build quality issues have been resolved.

The plant and equipment is now considered to be mature and, subject to continued levels of planned maintenance (including half-life inspections), is expected to be capable of continued reliable operation up to the design life of 25 years (2029) and beyond.

### 9.2 MAIN PLANT ISSUES

This section discusses the main technical issues experienced at Fujairah F1 and the resolution of such issues where this has been undertaken. Further detail of historical plant issues is provided in Appendix E.

#### 9.2.1 Gas Turbines

##### 9FA BLADE LIBERATION

GT-5 experienced an extended forced outage in 2014 due to compressor stator S1 blade liberation and damage on the other stator and rotor stages. High vibration levels were recorded through the on-site monitoring system and picked up by the gas turbine OEM GE in the USA. Upon agreement between the Owner and GE, the unit was shut down for inspection. The rotor was removed and sent to GE's premises in France for replacement with an alternative compressor rotor. This issue is now considered to be closed.

##### 9E FUEL OIL SYSTEM:

The units have experienced leaks in the fuel oil piping joints near to the combustion cans, occurring a few times during the monthly test runs with fuel oil. The non-return valves in the fuel oil system are known to be passing and require testing / replacement during every annual maintenance outage / inspection. GE has recently implemented additional measures to resolve the leaking issues including welding some of the unused thread joints and conducting pressure testing of the lines; these have reduced the leak issue but the Owner continues to pursue this with GE to implement a better, more cost effective solution.

##### 9E SHIM MIGRATION:

Prior to 2010 the units experienced some minor blade foreign object damage, caused by shim migration and liberation. Shim migration repair work was carried out in 2010/2011 for all the 9E GTs. This issue is now considered to be closed.

### **9E CASING MODIFICATION:**

GE has recommended that Owner's implement TIL 1617 with regard to casing slippage for 9E units. At Fujairah F1 the Owner continues to monitor and measure 9E casing movement during every inspection; readings have been found to be within limits. The Owner will therefore implement the TIL if needed.

### **9E STAGE 3 BUCKETS:**

For GT-4 GE had recommended the implementation of TIL 1720 Stage 3 buckets aerofoil inspections. The Owner performed the necessary recommendations until the Stage 3 buckets were replaced with the new design of buckets on all units in the most recent HGPIs. The TIL has therefore been implemented on all of the 9E units. This issue is now considered to be closed.

### **9FA COMPRESSOR STATOR BLADES:**

There have historically been some fleet issues with blade rocking during operation of the 9FA compressor stator blades stages 14, 15 and 16. This issue has been resolved after the Package 5 upgrade on the compressor which included big foot modification on stages 14, 15 and 16. This issue is now considered to be closed.

## **9.2.2 HRSGs**

### **P91 MAIN STEAM PIPEWORK:**

The plant has previously suffered from two weld failures in the P91 main steam pipework system. The location of the failures occurred in the flow venture welds where two different grades of materials were welded together. The cause of the weld failure is considered to have been due to using incorrect welding rods when welding P91 to stainless steel flow venturi. The defective welds were machined out and replaced on all four HRSGs. This issue is now considered to be closed.

### **EVAPORATOR TUBES:**

The tube bends within the evaporator section of the HRSGs have been identified as suffering from flow assisted corrosion and electro-chemical attack. Flow assisted corrosion is a known issue in HRSG boiler tubing and the small number of tube leaks have historically been repaired with tube inserts to remove affected areas. Recently the Owner has employed a third party consultant to provide specialist advice; as per the recommendations of the consultant all four HRSGs behind the 9E units have undergone chemical cleaning (the last unit in March 2017). The Owner now plans to monitor all leaks and expects to see an improvement in the situation.

## **9.2.3 Steam Turbines**

Both steam turbines are in non-continuous operation, due to the despatch regime. Due to power and water production requirements, several cold shutdowns of both turbines have occurred since first commissioning. Therefore it is expected that both turbines would have similar main findings especially in respect of non-operation corrosion.

### **STEAM TURBINE #2:**

Heavy non-operation corrosion on the blades has been observed, considered to have been caused by leaking steam valves during non-operation or lack of drying out during cold shutdowns. The steam valves have been overhauled on both units and dehumidifiers continue to be used to

dry out internal components during non-operational periods. The station is planning to monitor the effectiveness of these control measures at future planned outages, the next of which is the Steam Turbine #1 major overhaul planned for January 2018.

#### **STEAM TURBINE VALVES AND ACTUATORS:**

The steam turbine control valve actuators are known to historically suffer from minor oil leaks. Actuator oil seals continue to be replaced annually as a temporary measure with additional trays provided to contain any oil leaks. A proposed long term solution previously considered was to install double-guided actuators; however, at present this is “on hold” as the station has not had any oil leak issues in the period 2015-2017.

#### **9.2.4 Seawater Quality**

Although infrequent, there have been incidences of algal bloom (red tide) which so far have not affected that many times the availability of the existing RO plant. The installation of the new DAF plant in 2015 increases the robustness of the pre-treatment facilities and this will be used by both the existing and the new RO plant. In future the plants are expected to perform well during periods of deteriorating seawater conditions such as red tide events.

#### **9.2.5 Summary of Main Plant Issues**

It is not uncommon for plants to suffer operational problems due to operational practice, problems reported with the fleet, or legacy issues from the design and construction phases. It is apparent that the Owner has a process for recording and reporting issues and has taken steps to investigate causes and implement solutions through the employment of either OEMs or specialists.

With the exception of the GT 5 compressor blade issue in 2014, the site has consistently achieved power availability above 94% and water availability above 96%. These values are considered to be typical of a high availability CCGT plant of this design and age group.

These figures also demonstrate that personnel on site are capable of responding to any operational issues and, with advice from OEM specialists, are competent in returning the plant back into commercial operation in order to maintain a state of high plant availability.

# 10 REVIEW OF PLANT COMMERCIAL OPERATION AND MAINTENANCE

## 10.1 INTRODUCTION

This section of the report provides a summary of the operational performance of the plant from the point at which the Existing Plant was transferred from UWEC to the Project Company in 2006, to the end of 2016, known as the operating period, highlighting key performance figures. This review is based on the annual and where relevant quarterly operating reports provided to us.

## 10.2 PLANT LOAD FACTOR AND EXPORT

The performance figures which are focussed on here are:

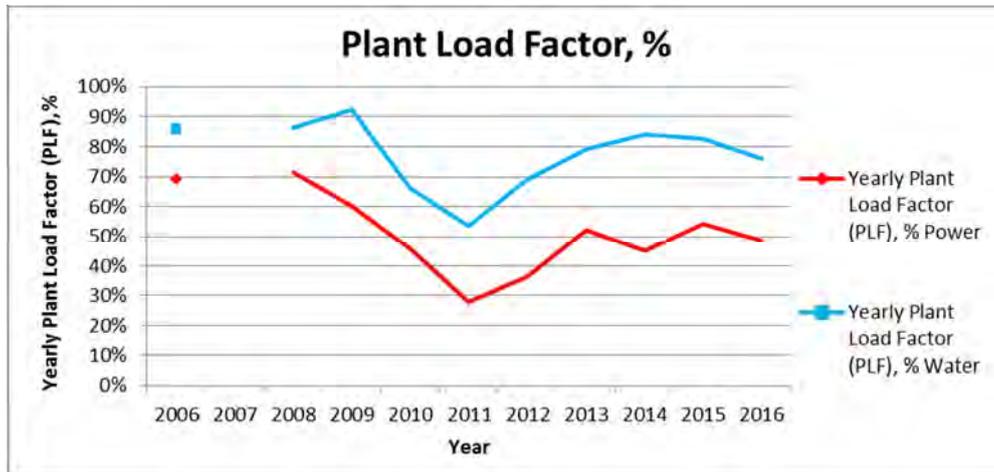
- Plant Load Factor (PLF), %
- Power Export, MWh
- Water Export, MIG

Plant Load Factor is a function of plant despatch and the requirements of the Offtaker, and is recorded as % capacity utilized. As such it is outside the control of the Owner or Operator (except in circumstances where either people or plant is in an unsafe situation) and is dependent on system demand and the position of the plant in the plant merit order and other system/sector considerations. The level of despatch does not have an impact on the Project Company's net revenues as the PWPA is structured to recover the Project Company's capital and fixed O&M costs based on availability levels only. Any variable operating costs are recovered on a "pass through" basis. As stated later in this report, a lower operating regime will extend plant life as it is expected that on the basis of future operation of around 6,000 FFH per annum that the gas turbines will remain within their initial design life of 200,000 FFH by 2035.

### 10.2.1 Plant Load Factor

The graph below shows the PLF over the operating period (figures not received for 2007).

Figure 3 – Plant Load Factor, %



The graphs indicate that water, and particularly power, load factors have in recent years seen lower levels of utilisation than the early years of plant operation. Although water load has more recently exceeded 80%, power load has averaged approximately 50% since 2009.

### 10.2.2 Power and Water Export

Power and water export levels are shown below. Note that the values for 2006 relate to one quarter only.

Figure 4 – Power Export, GWh

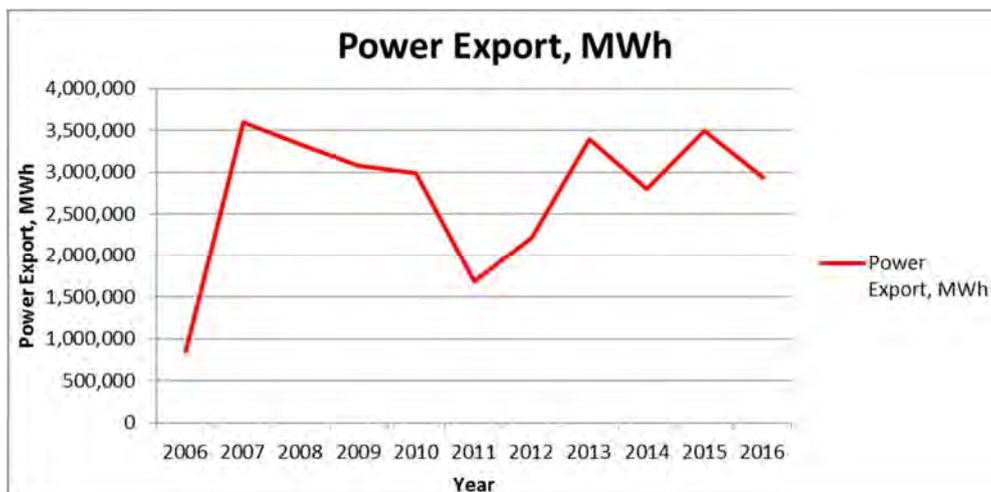
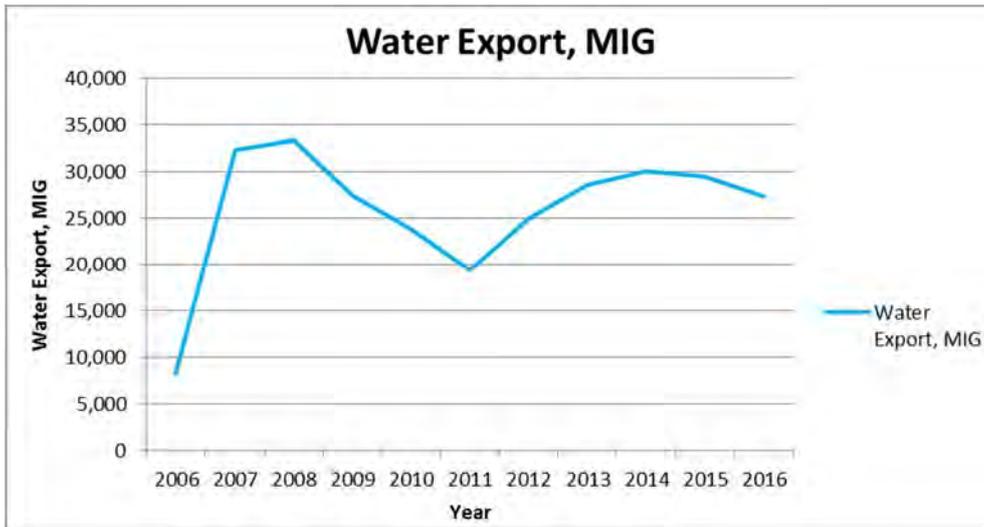


Figure 5 – Water Export, MIG



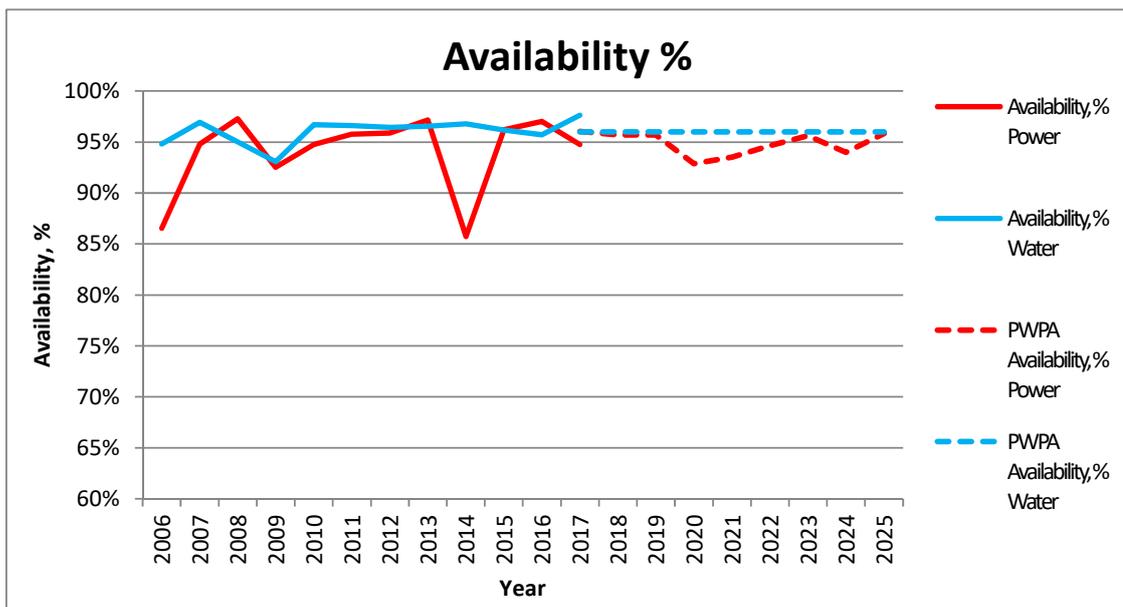
### 10.3 AVAILABILITY AND RELIABILITY

#### 10.3.1 Availability

Availability is a measure of a plant being capable of providing output, whether or not it is actually generating electricity or producing water. A plant is normally unavailable due to planned / scheduled maintenance, unplanned / unscheduled maintenance and forced outages.

Availability is the key performance parameter to generate revenues under the A&R PWPA. The graph below shows availability of power and water over the operating period 2006 to 2016. WSP has also shown the projected availability figures under the A&R PWPA for the years 2017 to 2025.

Figure 6 – Plant Availability, %

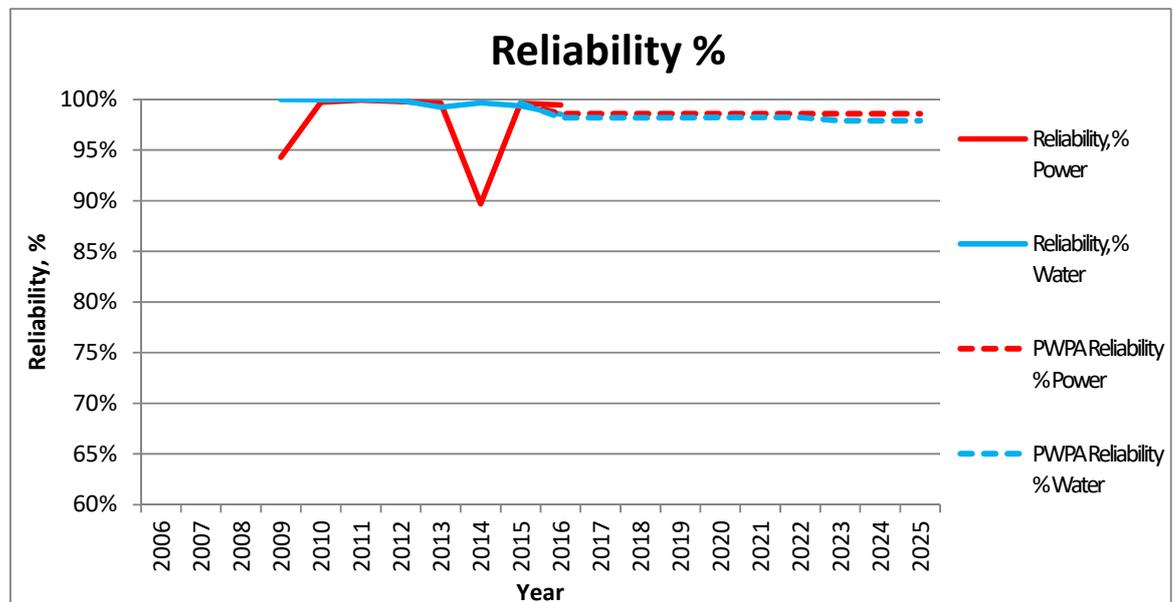


Availability of water in recent years has been consistently around or above 96% which WSP considers to be typical for water plant of this design and age, with a slight dip in 2016 due to the reasons as outlined in section 8.7.2 of this report. Availability of power in recent years has generally been above 95% which WSP considers to be typical for a power plant of this design and age; the lower power availability in 2014 is primarily due to a forced outage on GT5 which lasted from 27 May to 7 October, and was due to damage within the compressor and later stages. This resulted in unit availability of GT5 for 2014 of 53.71%.

### 10.3.2 Reliability

Reliability as recorded by the Owner is a measure of plant performance, taking into account available hours with a deduction of forced outage hours, in accordance with IEEE 762. The graph below shows plant reliability over the operating periods to 2016 (figures not available for 2006-2008). WSP has also shown the projected reliability figures under the A&R PWPA for the years 2017 to 2025.

Figure 7 – Plant Reliability, %

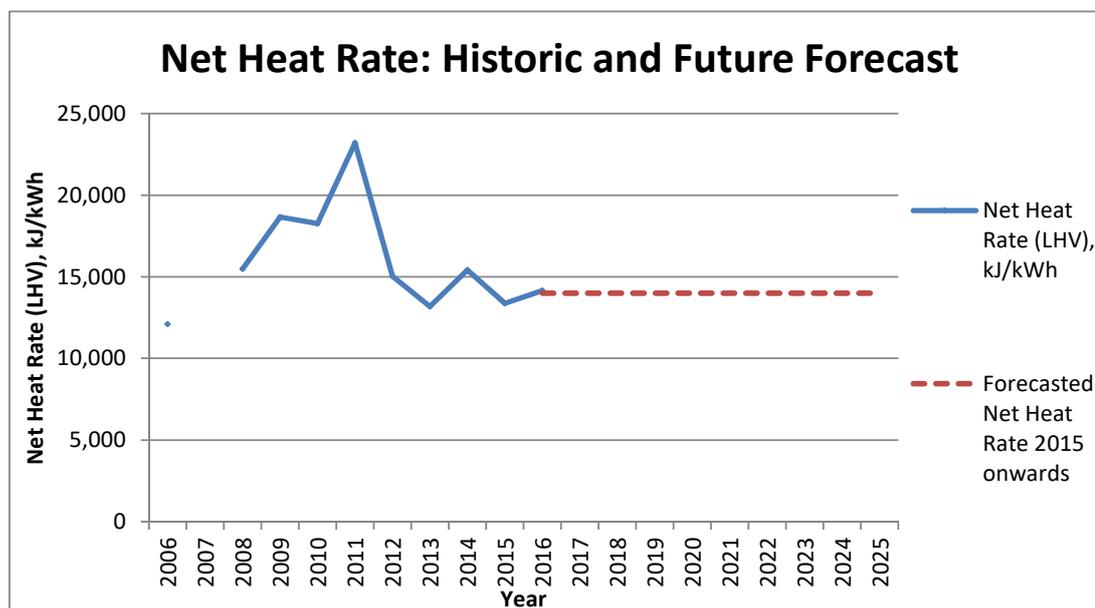


Figures are not available for the early years; therefore WSP concentrates on the figures available since the Plant Extension in 2009. Reliability of the water plant has been consistently around or above 99% which WSP considers represents excellent performance of the water plant, with a slight dip in 2016 due to the reasons as outlined in section 8.7.2 of this report. With the exception of 2009 and the forced shutdown of GT5 in 2014, power plant reliability has been consistently above 99% which WSP considers represents excellent performance of the plant.

## 10.4 HEAT RATE

Heat rate (relating to thermal efficiency) is a key parameter in providing a measure of how efficient the plant is, based on the amount of fuel burnt. In the early years the Net Heat Rate reported was the Dolphin Meter value (as used contractually in the gas supply agreement); in recent years the Owner also reports the Fujairah Water and Power Plant Meter value. The graph below shows annual Dolphin Meter heat rates over the operating period, as well as forecasted heat rate under the A&R PWPA for CY1-9. Figures have not been provided for 2007.

Figure 8 – Plant Net Heat Rate, kJ/kWh



The actual heat rate values reflect the operating regimes, plant running conditions, fuel fired and ambient temperatures experienced over the operating period, such as start-up, shutdown and part-load operation, as opposed to the baseload reference heat rate (generally all units in operation at the reference site conditions). Particular high values WSP understands are from the cumulative effects of gas limitations of Dolphin Gas, which necessitated operation on back-up fuel. In recent years the average annual heat rate is more stable. WSP comments that the Owner's long term forecast is a budgeted heat rate of 14,000 kJ/kWh until 2025; based on the historical operation this may not be achieved, but this will not lead to penalty under the A&R PWPA provided the higher heat rate is permitted under the adjusted values for different operating regimes and the corresponding Fuel Demand Model adjustments under the A&R PWPA.

## 10.5 PLANT TRIPS / FORCED OUTAGES

All power plants will experience trips / forced outages during their life, due to in-house equipment problems, fuel supply issues or disturbances within the grid. The table below summarises the main incidents and total outage hours with more detail provided in the Appendices.

Table 39 – Historical Trips &amp; Forced Outages

Year	Main Units Affected	Main Incidents	Total Outage Hours
2016	GTs	Not identified to be any main incident responsible	8 hours
2015	ST#2, GT#3, Plant	Instrument compressors failed and caused plant trip. Other trips on GT#3 and ST#2.	38 hours
2014	All units at some time	GT#5 subject to extended forced outage	70 hours + GT#5 extended forced outage (4.5 months)
2013	All units at some time	GT#4 torque convertor damaged	160 hours (GT#4 incident responsible for 138 hours of this)

Year	Main Units Affected	Main Incidents	Total Outage Hours
2012	Most units; notably GT#5	GT#5 unplanned outage taken for Borescope inspection after 4000 Hrs as per GE recommendation for rocking issue	65 hours
2011	Most units; notably GT#5	Not identified to be any main incident responsible	26 hours
2010	Most units	Not identified to be any main incident responsible	144 hours
2009	Most units; notably GT#5 ("setting in period)	Not identified to be any main incident responsible	195 hours
2008	Most units; whole plant	HRSG#4 main steam weld failure Natural gas supply interruption to whole plant Instability in grid affecting whole plant	155 hours
2007	Most units; whole plant	GT#1 exciter coil failure	130 hours
2006	Most units; whole plant	n/a	n/a

The incidents recorded and subsequent downtime, WSP does not consider unreasonable for a plant of this nature.

## 10.6 PLANT IMPROVEMENTS AND UPGRADES

WSP has not reviewed all improvement projects in detail, but comments that there is also evidence, in the annual reports, that the Owner has implemented and continues to implement various plant improvements and upgrades, as would be expected by a competent Owner, to improve plant performance, availability and reliability.

## 10.7 ABILITY OF PLANT TO MEET FUTURE PERFORMANCE OBLIGATIONS

To recap, the A&R PWPA contains a number of performance obligations, which in summary are:

- Contracted Power Capacity, MW (760 MW for each CY);
- Specific Net Heat Rate, kJ/kWh (varying profile through term);
- Projected Available Net Energy Generation, MWh/a (varying profile through term, equivalent availability calculated by WSP ;
- Contracted Water Capacity, MIGD (130 MIGD for each CY);
- Projected Available Net Water Production, TIG/a (varying profile through term; equivalent availability and reliability calculated by WSP.

Based on the historical performance of the Plant, taking cognisance of the requirements of the New RO Plant, and with the assumption that the Plant will continue to be operated and maintained in line with good industry practice and is not exposed to any significant forced outage events, WSP considers that the performance obligations applicable under the prevailing PWPA can be achieved through the term of the A&R PWPA.

# 11 FINANCIAL MODEL TECHNICAL ASSUMPTIONS

## 11.1 FINANCIAL MODEL

WSP has reviewed the PWPA availability values and the Operations and Maintenance costs projection inputs contained within the Financial Model for Contract Years 1 to 20. WSP has not validated the subsequent calculations or application of exchange rate and escalation factors which provide the Model outputs and reports.

## 11.2 ASSET LIFE

The original Fujairah F1 plant comprising 4 gas turbines (General Electric 9Es), 5 MSF desalination units and the reverse osmosis plant entered commercial operations (PCOD) in 2004, some two years before the inception of the current PWPA in 2006. In 2009 GT5 was added and the PWPA amended to end in March 2029.

The 2015 Amended & Restated PWPA extends the arrangement to 2035.

The original gas turbine plant was designed for a life of approximately 200,000 factored fired hours (FFH) and some 25 years operation. Given the regime to date and the anticipated future operation of some 6000 FFH per year it is expected that all gas turbines will remain below the 200,000 level by 2035. Power plant generally is capable of extended life subject to sound operations and maintenance techniques, monitoring and periodic engineering interventions.

In WSP's opinion, and subject to adequate resource, this plant is capable of meeting the 2035 end of life requirement. For clarity, "subject to adequate resources" recognises that in order to achieve a plant life to 2035, investment will be needed to carry out another planned maintenance cycle and in WSP's opinion will require the major expenditure specified in section 11.4.3 of this report.

## 11.3 A&R PWPA

Power and water capacity is to be based on 760MW and 130 MIGD respectively and performance to date of the existing plant has been good averaging 93.7% and 96.3% from 2009 to Q4 2016 inclusive.

The projected availability, taking into account planned and unplanned outages, aligns with the Appendix G of the Amended & Restated draft (26 July 2017 contract values which average 94.7% and 96.0% respectively. It is probable in the remaining 20 years that there will be another incident which affects availability. However, the impact on earnings would expect to be substantially mitigated by insurance policy provisions.

The following table summarises the actual availability values for the existing plant in each PWPA contract year:-

**Table 40 – Actual Plant Availabilities to date**

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Power %	86.5	94.8	97.3	92.5	94.8	95.8	95.9	97.2	85.7	94.1	96.6
Water %	94.9	96.9	95.0	93.1	96.7	96.6	96.4	96.6	96.8	98.1	95.8

It is noted that New RO plant performance under the WPA did not meet projected availability during a contract year period February 2016 to January 2017:-

<b>CY</b>	<b>1</b>
<b>from Feb 16</b>	<b>2016</b>
Projected %	97.55
Actual %	93.51

The following table shows the projected availability values for the forthcoming PWPA contract years and incorporating the New RO plant capacity:-

**Table 41- Projected A&R PWPA % Availabilities (CY1 end January 17)**

CY	1	2	3	4	5	6	7	8	9	10	11	12
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Power	96.0	95.7	95.7	92.9	93.5	94.7	95.6	94.0	95.8	93.9	95.3	95.6
Water	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0

In WSP's opinion, and considering both performance to date and the anticipated future operating regime of the plant, the above represents a reasonable underlying profile on which to base the earnings stream. In practice there may be a one-off incident in the next 20 years not reflected in the above values, although WSP is mindful that insurance provisions could be called upon to recompense for business interruption. WSP refers the reader to the section below on sensitivities, and WSP has also been informed of the station's proposed project to install one Heat Re-claimer on each of the four existing HRSG's of the GT 9Es. When fully installed this is anticipated to give a total reduction in the fuel consumption of approximately 3.0 % at 760 MW power and 130 MIGD water and gas flow 228,600 Sm<sup>3</sup>/hr.

## 11.4 O&M COSTS

The financial model contains estimated costs for operating and maintaining the Existing and the New RO plant. Initial values have been input in AED and at 2011 prices reflecting the basis of the A&R PWPA, OMA and DBO contracts in their drafts dated 4 July 2017. The following table shows projected O&M expenditure in US dollars for the Existing and New RO Plant analysed between fixed and variable costs

**Table 42 – Projected O&M Costs**

Costs USD 2011		CY	1	2	3	4	5	6	7	8	9	10	11	12	13	14+
		from Feb	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Fixed</b>	Existing	Owner	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
		Operator	19.7	20.4	24.1	23.3	19.0	18.7	28.2	20.2	18.5	19.7	29.5	31.0	15.6	21.0
		sub	25.7	26.4	30.1	29.3	25.0	24.7	34.2	26.2	24.5	25.7	35.5	37.0	21.6	27.0
	New RO	Operator	0.7	0.7	0.7	0.7	0.7	0.7	0.7	5.2	5.2	5.2	5.2	5.2	5.2	7.2
		DBO	2.8	2.8	2.8	2.8	2.8	2.8	2.8							
		sub	3.5	3.5	3.5	3.5	3.5	3.5	3.5	5.2	5.2	5.2	5.2	5.2	5.2	7.2
		<b>Fixed total</b>	<b>29.2</b>	<b>29.9</b>	<b>33.6</b>	<b>32.8</b>	<b>28.5</b>	<b>28.2</b>	<b>37.7</b>	<b>31.4</b>	<b>29.7</b>	<b>30.9</b>	<b>40.7</b>	<b>42.2</b>	<b>26.8</b>	<b>34.2</b>
<b>Variable</b>	Existing	Operator	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	
		DBO	1.9	1.9	1.9	1.9	1.9	1.9	1.9							
	New RO	Operator								1.9	1.9	1.9	1.9	1.9	1.9	
		DBO	1.9	1.9	1.9	1.9	1.9	1.9	1.9							
	<b>Variable total</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	
	<b>TOTAL</b>	<b>36.4</b>	<b>37.1</b>	<b>40.8</b>	<b>40.0</b>	<b>35.7</b>	<b>35.4</b>	<b>44.9</b>	<b>38.6</b>	<b>36.9</b>	<b>38.1</b>	<b>47.9</b>	<b>49.4</b>	<b>34.0</b>	<b>41.4</b>	

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#### 11.4.1 Fixed Costs

Existing Plant O&M costs are incurred by each of the Project Company (Owner) and the Operator.

##### **OWNER COSTS**

These have been input at a constant level across all years covering Insurance (USD3.7m), Staff and General & Administrative costs. It is noted that this includes USD 0.5m insurance for the New RO plant.

It is envisaged that in 2021 at the 12 year stage of the OMA, the Owner will elect to move from a “fixed price” basis to a “cost pass through” arrangement where the Operator, instead of receiving a predetermined sum each year to cover the cost of O&M and provide a profit, will receive a much smaller Operator fee and be recompensed for the costs incurred. Whilst the Owner takes the associated commercial risk it offers greater control over the cost base. In this particular situation, where the Owner and Operator companies are both subsidiaries or affiliates within the same Group, the implications are unlikely to be significant.

##### **OPERATOR COSTS**

It is noted that the entries in the financial model broadly align in total with those disclosed in the annual notice of budgeted costs provided by the Operator to the Owner under the OMA (Appendix U) and after having been escalated from 2011 to 2017 prices. However since the inception of the model in 2006 the composition of the cost elements has changed. WSP is satisfied that the total values are adequate to cover the costs required to operate and maintain the existing plant.

The costs provide for the Operator Fee (USD 1.8m p.a. from 2021, in line with the new OMA) together with staff costs and routine maintenance. These are largely held constant across all years.

The existing CSA with General Electric requires fixed monthly payments for 9FA only and scheduled “Adder” fees aligned to major overhauls for all units. The variable cost component is related only to FFH incurred above 4 000 per annum. All the projected costs have been incorporated within “Fixed”. The current contract is envisaged to end around 2029 or the 160k FFH. Thereafter an alternative arrangement will be required and the cost projections have included USD 9.8m fixed per annum for the last 7 years in the Model.

We understand that an additional allowance of in total USD 13.6m has been made in the Financial Model for an increase in the CSA costs projected following the expiry of the existing CSA in 2029 until 2035. This cost increase is based on estimates provided by F1 Project Company following discussions with GE and reflects a conservative estimate of increased CSA costs as a result of an extension of the current contractual arrangements. The Project Company is to wait until nearer the expiry of the current CSA to determine its strategy concerning extending the existing CSA based on operational history. The Project Company could be held economically harmless by these increased cost projections through a corresponding increase in the FOMR component in the A&R PWPA.

In addition, the cost of major overhauls are included and charged as incurred (rather than reserved). This results in some notable movements in costs particularly in CY 7 and CYs 11 and 12. In the latter two years it is anticipated that there will be substantial works required to undertake major refurbishment of the four 9E gas turbines as they approach the 144 FFH point (mid life time extension works). This will align with the OEM recommendations and it is noted that it is unlikely that GT5 will require this work before 2035.

## NEW RO PLANT

The projected costs are aligned to the tender submission form sheet provided by the Design, Build and Operate company, Acciona, which have been incorporated into the signed contract. This fixes the costs to be incurred in real terms for the first 7 years of the RO plant operations and includes the cost (USD 4.6m) of replacing all membranes over that period. Membrane replacement commences after the second year according to a schedule that ensures replacement of all 12 600 by the end of the contract. Costs are not charged to revenue as incurred but apportioned across years equally.

After 7 years the responsibility for the O&M of the New RO plant falls to the Operator who earns USD 0.7m per annum. It is believed that the DBO contract has underestimated the cost in its tender, and the Operator has increased (by USD 1.7m) the annual costs of the subsequent “in-house” operation. These additional costs include as well an uplift of salary costs to reflect the market conditions in the UAE for such staff transferred from the DBO Contractor to the Operator after expiry of the DBO contract. The Project Company is held economically harmless by these increased cost projections through a corresponding increase in the FOMR component in the A&R PWPA.

In WSP’s opinion the Fixed cost profile appears a reasonable basis for use in the Model

### 11.4.2 Variable Costs

These costs comprise consumables and chemicals required for plant operations and will vary in line with power and water production. Existing plant costs and New RO plant costs are held constant across all years.

In WSP’s opinion the Variable cost profile appears a reasonable basis for use in the Model

### 11.4.3 Major Expenditure

Major Overhaul costs are not capitalised but are charged to revenue as incurred. Major refurbishments and any works required to attain life to 2035, whilst not specifically itemised, are stated to be accommodated within the existing O&M cost profile together with the additional allowance for an increase in the CSA costs projected following the expiry of the existing CSA in 2029 until 2035 as mentioned earlier.

We believe these items may be accommodated within the existing O&M profile on the basis that plant utilisation will not exceed the historic average dispatch level since 2009 (80% for water and 50% for power) and that in all likelihood the dispatch level will be lower and fall across remaining life given the introduction of nuclear and the rapid expansion of solar PV plants in the UAE. We have been informed that the level of fixed O&M cost covered within the amended and restated PWPA exceeds that of the other plants within the ADWEA fleet.

The following table identifies the potential works arising, WSP opinion of the likelihood that they will be necessary, together with the associated estimated costs:-

Table 43 – Potential Major Works to 2035

WORK ELEMENT	LIKELIHOOD	RESULT USD M	NOTES
DCS	High	7.8	Obsolescence - requires replacement esp. interface
GT Generator Rotor / Stator	High	7.0	High cycle fatigue – determine at 144FFH inspection
GT Rotor Refurb	Medium	7.0	High cycle fatigue – determine at 144FFH inspection
ST HP Casing & Rotor	Medium	6.3	Creep life - dependent on result of inspection (c.2027)
HRSG Tubes & Headers	Low	-	- Cover within ongoing maintenance as required
HRSG Stop & NRV	Low	-	- Cover within ongoing maintenance as required
CW Pumps	Low	-	- Cover within ongoing maintenance as required
ST Stop valves	Low	-	- Cover within ongoing maintenance as required
ST LP Casing & Rotor	Low	-	- Cover within ongoing maintenance as required
Desalination pumps & impellers	Low	-	- Cover within ongoing maintenance as required
<b>TOTAL</b>		<b>28.1</b>	

It should be noted that the above expenditures, if required, would take place during the cost pass through phase of the OMA. There is also substantial alignment of interest between the Owner and the Operator to make the required investments to maintain plant reliability at existing levels.

## 11.5 SENSITIVITIES

Here WSP comments on the cost sensitivities in the latest version of the Model WSP has received ("F1 model - 2017 04 19 - dd release.xlsm") and as per the conference call on 17 August 2017:

- Power Plant Availability: A 2% reduction in availability sensitivity is suitable based on WSP's knowledge of the plant and other similar plants in the region. As a worst case, the client may want to consider a 1 in 20 year incident going forward in which the power plant experiences a forced outage lasting approximately 5 months which results in a power plant availability for that year of 85%.
- Water Plant Availability: A 2% reduction in availability sensitivity is suitable for the water plant based on the similar plants in the region.
- Heat Rate: A 3% increase in heat rate sensitivity is suitable based on WSP's knowledge of the plant and other similar plants in the region.
- O&M Costs: A 10% increase in fixed and variable O&M is suitable based on WSP's knowledge of the plant and other similar plants in the region. WSP would also suggest a sensitivity is run for the major expenditure items outlined in section 11.4.3 of this report.

# 12 MARKET DYNAMICS

## 12.1 ELECTRICITY

### BACKGROUND

Electricity demand is forecast to continue to grow on average by c. 5% per annum from 2017 to 2025.

- Power demand over the course of a year is heavily influenced by the climate in Abu Dhabi causing demand peaks during the extremely hot summer (July to October) when temperatures regularly reach 45 degrees Celsius. Demand during winter drops to around a third of peak summer demand.
- Historically since the late 1990s, production of electricity and desalinated water has been dominated by IWPPs using conventional thermal technologies.
- Thermal generation capacity within Abu Dhabi today is predominately based on CCGT, mainly fueled by natural gas. This has meant that water production, which needs to be relatively constant year round, is produced in the cooler winter months when power demand is low by CCGT operating in less efficient part load operation.
- This “coupling” of power and water also creates operational constraints during winter, where the power plants carry out periodic maintenance, creating a further degree of complexity as sufficient power stations are required to run to produce the daily volumes of water required.

### TRENDS

Due to a number of factors, including a recognition of the value of gas as well as the assumed cost of market gas, the fuel / technology mix is changing, raising a significant period of transition in the sector and introducing major challenges.

5,600MW of nuclear fuel led capacity is currently under construction at Barakah in the Western Region of the Emirate of Abu Dhabi. The capacity is currently projected to reach commercial operation in stages between 2018 and 2021. This will have a number of consequences. Once operational, it will increase year round (base load) power capacity, making the dispatch of CCGT to produce water less required (given the operating constraints of nuclear generation sets). However, due to unit size of the nuclear units (1.4 GW units), a higher reserve margin is required for grid stability purposes, thereby preserving the importance of CCGTs in the generation mix.

The economics of natural gas play an important role in power and water desalination technology selection.

- It is understood that MSF/MED thermal desalination technologies are most favourable with gas prices below 2 USD/MMBTU.
- For gas prices above approximately 2 USD/MMBTU, Reverse Osmosis is clearly the most economical choice.

As a consequence of both the introduction of a significant amount of nuclear base load power capacity and the economics of RO in a market where the value of gas is being increasingly recognized, future power and water is likely to be de-coupled to maximise flexibility, efficiency and cost reduction.

## 12.2 WATER

### BACKGROUND

- Water in Abu Dhabi is primarily sourced from a combination of desalination plants, natural wells, recycled water and treated wastewater.
- Potable water required for domestic consumption (including drinking and domestic usage) is provided from desalination plants.
- Non-potable water required for agriculture and forestry is supplied from wells.
- Irrigation of grass and trees is supplied predominantly by treated wastewater and recycled water.
- Water consumption is relatively constant year round unlike electricity, necessitating the production of desalinated water from CCGT in part load.
- Consumption is split into categories each with different dynamics, including residential, agricultural, industrial, mega projects and bulk (municipalities, golf courses, palaces, islands etc.)
- 2/3 of consumption is from general landscaping and watering of plants.

### TRENDS

Water demand is forecast to continue to grow on average at around 2% per annum from 2017 to 2025, although water demand remains unsatisfied due to network constraints and the fact that historically investment in transmission infrastructure has lagged investment in capacity.

- Given the technology/fuel choice, and economic justifications, the installation of large amounts of RO desalination technology is considered essential.
- This decoupling of power and water production will lead to significant fuel and cost savings given the flexible nature of RO (which can be produced without the need to operate CCGT in low load - and hence fuel inefficient – mode).

### SPECIFIC SECTOR ISSUES FOR FUJAIRAH F1

- The new RO Plant satisfies incremental demand for water in Fujairah.
- The new RO plant utilizes surplus power capacity at the Fujairah F1 plant.
- The extension of the PWPA will lead to an overall reduction in sector costs for ADWEC (the procurer) through a benefit sharing mechanic which has resulted in a reduction in the capital cost recovery charge for water (please refer to Section 6).

# Appendix A

**GLOSSARY OF TERMS**

## APPENDIX A – GLOSSARY OF TERMS

ADWEC	ABU DHABI WATER & ELECTRICITY COMPANY
AM	Annual Maintenance
A&R	Amended and Restated
CARR	Cumulative Annual Replacement Rate
CCGT	Combined Cycle Gas Turbine
CCP	Contracted Power Capacity
CCR	Central Control Room
CCRP	Capital cost recovery rate for power
CCRW	Capital cost recovery rate for water
CI	Combustion Inspection
CIP	Cleaning In Place
CO <sub>2</sub>	Carbon Dioxide
CY	Contract Year
DAF	Dissolved Air Flotation
DBO	Design Build Operate
DCP	Dependable Power Capacity
DCS	Distributed Control System
DCW	Dependable Water Capacity
DLN	Dry Low NOx
DMF	Dual Media Filter
ESWPC	Emirates Sembcorp Water & Power Company (Owner)
EPC	Engineer Procure and Construct
ERD	Energy Recovery Device
FFH	Factored Fired Hours
FS	Factored Starts
FSA	Fuel Supply Agreement
GE	General Electric
GT	Gas Turbine
HGPI	Hot Gas Path Inspection
HP	High Pressure
HRSG	Heat Recovery Steam Generator
IWPP	Independent Water & Power Project
LDC	Load Despatch Centre
LHV	Lower Heating Value
LP	Low Pressure
LTE	Life Time Extension
MP	Medium Pressure

<b>ADWEC</b>	<b>ABU DHABI WATER &amp; ELECTRICITY COMPANY</b>
MSF	Multi Stage Flash
MV	Medium Voltage
NDC	Net Dependable Capacity
NDCT	Net Dependable Capacity Test
NOx	Nitrogen Oxides
OEM	Original Equipment Manufacturer
O&M	Operation & Maintenance
OMA	Operation & Maintenance Agreement
PC	Personal Computer
PCOD	Plant Commercial Operation Date
PLF	Plant Load Factor
ppm	Parts per million
PWPA	Power and Water Purchase Agreement
RO	Reverse Osmosis
RSC	Reference Site Conditions
RTR	Reliability Test Run
SHR	Specific Net Heat Rate
ST	Steam Turbine
STG	Steam Turbine Generator
SWRO	Sea Water Reverse Osmosis
TBC	Thermal Barrier coating
TDS	Total Dissolved Solids
TIG	Projected Available Net Water Production
TIL	Technical Information Letter
UAE	United Arab Emirates
USD	United States Dollar
UWEC	The Union Water & Electricity Company

## UNITS

bara	Bar Absolute
barg	Bar Gauge
H	Hour
Kg	Kilogram
KJ	Kilojoule
km	Kilometre
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt hour
MIG	Million Imperial Gallons
MIGD	Million Imperial Gallons per Day
MW	Megawatt
MWh	Megawatt hour
Nm <sup>3</sup>	Normal cubic metre

# Appendix B

**GENERAL ELECTRIC 9E & 9F DEVELOPMENT MILESTONES**

## APPENDIX B – GENERAL ELECTRIC 9E & 9F DEVELOPMENT MILESTONES

During the life cycle of the 9E and 9FA Gas Turbines, General Electric may re-design or upgrade components to enhance the reliability or service life. Details of these upgrades are normally issued to 9E & 9FA users in the form of a Technical Information Letter (TIL). At the end of a component's life, the owner may therefore have a choice of replacement to the original design or to upgrade. In preparation for an outage, GE will issue a copy of the latest TILs work list to the station for comment. Included in this work list are proposed upgrades, together with a brief report outlining the engineering details and justification for the upgrades. The following upgrades have been carried out at Fujairah F1 up to April 2017.

### List of GT 9FA Upgrades

#### GT-5 (9FA) TIL UPDATE APRIL 2017

TIL #	Issue Date	Description	Status
960-R2	30-Sep-11	Generator Field Bore Plug Removal Safety Notification	✓
1108-R1	19-Mar-12	Cast Segmented Turbine Nozzle Acceptance Guidelines	N/A
1157-R1	30-Jan-08	Adherence to Gas Turbine Fuel Specifications	✓
1214-3R3	19-May-05	9F, 9FA, 9FA+, 9FA+E, 9FB, AND 9H Bucket Lock wire Pin	✓
1236-R2	30-Sep-11	Water Wash Recommendations	✓
1320-2R	28-Sep-07	Inlet bleed heat pipe-support cracks	N/A
1345-R3	30-Jan-09	F-Class Rotor Start Up/ Overspeed Trip Test Revision	✓
1416-R1	1-Feb-07	Compressor Bleed Valve Reliability Upgrades	✓
1429-R1	31-Aug-08	Accessory & Fuel Gas Module Compression Fitting Oil Leaks	✓
1476-R1	9-Jul-15	Oil Leak at Generator Bearing Thermocouple Connection	Planned
1509-3	1-Aug-11	F-Class Front End (R0/R1) Compressor inspections	✓
1556	20-Dec-06	Security Measures Against Logic Forcing	✓
1562-R1	20-Aug-09	E- and F-Class Shim Migration and Loss	✓
1571-R1	30-Apr-08	Requirements for Purchasing Gas Turbine Inlet Filters	✓
1575-R1	11-Jun-07	False Start Drain Temperature Rise	N/A
1576	28-Jun-07	Gas Turbine Rotor Inspections	Planned
1577	27-Jun-07	Precautions for Air Inlet Filter House Ladder Hatches	Planned
1579-R1	29-May-08	Turbine Compartment Water Systems Maintenance	✓
1582	31-Aug-07	F and H Class Lift Oil Hose Inspection and Replacement	✓
1585	31-Aug-07	Proper Use and Care of Flexible Metal Hoses	✓
1586-R1	20-Dec-07	9FA+E DLN2.0+ End Cover Pipe Flange Cracking	✓
1601	9-Jan-08	Combustion Casing Gaskets Non-Conformance	✓
1602-R1	30-Jan-09	Generator ring pitting degradation	✓
1603	30-Jun-08	R0 Erosion and Water Ingestion Recommendations	✓
1604	31-Jan-08	9FA+E Transition Piece TBC Improvement	N/A
1607	31-Mar-08	Bentley Nevada Equipment Inspections and Maintenance	✓
1615	31-Jul-08	R0 Compressor Blade Axial Retention Alternatives	Planned
1619	31-Aug-08	Turbine Compartment High Temperature	✓
1622	17-Sep-08	Water Removal System For Corrosion Reduction	✓
1623	30-Sep-08	Analog Input appears Frozen on Mark VI Controls I/O cards	N/A
1626	1-Dec-08	GE Fanuc Complicity HMI Vulnerability	✓
1631	27-Feb-09	Generator collector flashovers	✓
1638	13-May-09	R0 & R1 dovetail UT testing	✓
1640	11-Jun-09	Collector Heater Wiring	✓
1646	29-Jul-09	Gen Emergency Seal Oil Pump Motor Control Configuration	✓
1648	06-8-2009	Maintenance of LCI 89SS and 89ND Switches	✓
1650	16-Sep-09	Battery Replacement Guidelines and Board Jumper Settings	✓

**GT-5 (9FA) TIL UPDATE APRIL 2017**

TIL #	Issue Date	Description	Status
1700	05-8-2009	Potential Gas Hazard During Offline Water Washes	✓
1701	29-9-2009	Improving Reliability of Medium Voltage Auxiliary Equipment	✓
1702	17-8-2009	Riverhawk Load Coupling Hardware & Tooling safety Concerns	✓
1707	17-9-2009	Outer Crossfire Tube Packing Ring Upgrade	✓
1716	22-Feb-10	EX2100 EHPA Board Changes to support On-Line Mtce	N/A
1725	10-12-2009	Distribution of technical Communications	Info TIL
1731	22-2-2010	Mod of HMI Screens- Nerc Reliability Standard VAR-002-1	✓
1742	3-Oct-10	F-Class Wheel 1 Balance Weight Groove inspections	✓
1747	2-Jun-10	Fire Protection Manual Lock Out Valve Limit Switch Wiring	✓
1755	18-Nov-11	LCI Water Cooled Bus Leaks	✓
1760	11-9-2010	Collector Brush Shunt Length	✓
1764	14-2-2022	324 & 330H Consolidated Dry-Tie Conn Ring Insl Abrasion	✓
1767	1-12-2010	Drift in DC Null Offsets on FCGD Cards in Static Starters	✓
1769	1-12-2010	F-Class AFT Stator Rocking inspection	✓
1776	31-12-2010	Tricentric Aux Stop / Safety Shutoff Valve Seizing / Leaking	✓
1777	31-12-2010	Turbine Control System Vulnerability to Viruses & Malware	✓
1778	14-1-2011	Lifting Capacity Labeling on A041 Trolley beams	✓
1779	17-12-2010	TBC with naturally Occurring Ionizing Radioactive	✓
1781	8-2-2011	7FA & 9FA #2 Bearing Seal Coking Inspection	✓
1789	20-4-2011	Configuration Advisory- Site modifications to Control Net	✓
1794	5-Mar-12	Online water wash nozzle locator pin inspection	✓
1807	30-Jun-11	Load Coupling Energy Release During Assembly	✓
1810	14-Oct-11	Trip Risk from Single Point Failure	Under Review
1813	26-Sep-11	Actuator Stability Improvements	✓
1831	30-Apr-12	Mixing for Series Cells in LS2100 & Static Starters	✓
1833	8-May-12	EX2100 100MM Exciters Online Repair Switch Maintenance	Under Review
1838	9-Feb-12	Env Induced Catalytic Bead Gas Leak Sensor Degradation	✓
1843	13-Apr-12	Generator Earthing Switch Safety Concern	✓
1844	25-May-12	CDC borescope plug stem modification	✓
1848	21-May-12	F-Class Diffuser and Diffuser Inner Barrel Access Points	✓
1849	24-Apr-13	IEC Standards Compliance on Gas & Purge Isolation Valve	Under Review
1861	8-Oct-12	Controller Watchdog and Stale Speed Parameters	Under Review
1862	8-Oct-12	Ex2100 De Excitation and crowbar trip.	Under Review
1870-R1	5-Mar-12	First Row Compressor Blade Stacking Inspections	□
1873	5-Dec-12	Excitation Bridge Alarm/Trip and Gas Turbine Runback	N/A
1879	21-May-13	Installation and Maintenance Recc For Exhaust T/Cs	□
1881	10-Jan-13	Network Security for Mark VI and VIE Controller Platforms	□
1892	12-Apr-13	Generator Cond Monitoring Containing Radioactive Source	Advisory TIL
1898	19-Apr-13	Recommendations on Lube Oil Pump Thrust Brg Failure	Under Review
1901	5-Jul-13	Atex Non-Compliance on Safety Shut off & Aux Stop Valve	Planned
1902	7-Aug-13	Ignition Exciter Spark Gaps Containing Radioactive Gas	Advisory TIL
1905	5-Sep-13	VCMI and VPRO IONET Transceiver Chip Reliability	Planned
1917	17-Jan-14	Exposed Bus bar in 400V MCC	✓
1931	6-Jun-14	Combustion Dynamics and Unit Operability	Planned
1972	24-Jul-15	F-Class Conical Flat Bottom Slot Bottom Compressor Wheel Recommendations	Under Review

**GT-5 (9FA) TIL UPDATE APRIL 2017**

<b>TIL #</b>	<b>Issue Date</b>	<b>Description</b>	<b>Status</b>
1881-R1	22-Dec-15	Network Security TIL for Mark V, VI and Vie Controller Platforms	✓
1981	11-Feb-16	DLN 2.0+Premix Purge Fault Detection	Under Review
1988	16-Feb-16	Z420 HP Hard Drive Failures, BIOS and Raid Updates	Under Review
1955-R1	31-Mar-16	Turbine Enclosure Overhead Crane Derailment	Planned
1603-R1	17-May-16	R0 Erosion and Water Ingestion Recommendations	✓
2000	13-May-16	Cooling Fan Module Weight Discrepancy	Advisory TIL
1615-R1	17-May-16	R0 Compressor Blade Axial Retention (Staking) Alternatives	Advisory TIL
PSSB 20160518A	17-May-16	Online collector brush changing / maintenance awareness	Advisory TIL
960-R3	20-May-16	Generator Field Bore Plug Removal Safety Notification	Advisory TIL
2006-R1	19-Jul-16	7F and 9F Stage 3 Bucket Airfoil Distress	N/A
2017	04-Nov-16	Inlet Filter Potential Incomplete Seal	✓

## List of GT 9E Upgrades

### GT- 1 TO 4 TIL UPDATE APRIL 2017

TIL #	Description	Unit			
		GT-1	GT-2	GT-3	GT-4
1157-R1	Adherence to gas turbine fuel Specifications	✓	✓	✓	✓
1275-1R2	Excessive gas fuel flow at start up	✓	✓	✓	✓
1429-R1	Fuel Gas Compression Fitting Oil Leaks	✓	✓	✓	✓
1480-2R1	Mark V Firmware Upgrade	✓	✓	✓	✓
1518-2	Maint & Insp for Gas Turbine Air Inlet Sys	✓	✓	✓	✓
1520-1	High Hydrogen Purge Recommendations	N/A	N/A	N/A	N/A
1536-2	9E Gen Bearing Lift Oil Sequencing Mod	✓	✓	✓	✓
1537-1	High Hydrogen Purge Recommendations	Under Review			
1547-2	Gas turbine Flex hose Recommendations	✓	✓	✓	✓
1554	Signage for Enclosures Protected by CO2	✓	✓	✓	✓
1579-R1	Turbine Compartment Water System Maintenance Recommendations	✓	✓	✓	✓
1595	DLN 1 Gas Purge Valve Shutdown Software	✓	✓	✓	✓
1614	Inlet Duct Silencer Panel Shipping Clips	✓	✓	✓	✓
1713	False Starts Drain System Recommendations	✓	✓	✓	✓
1720	9E Stage 3 Buckets Airfoil Inspection	N/A	N/A	N/A	N/A
1725	Distribution of Technical Communications	Information	Information	Information	Information
1725-R1	Distribution of Technical Communications	Information	Information	Information	Information
1806	Generator Ventilation Shutdown Failure	✓	✓	✓	✓
1876	6B/9E Logic modification to Prevent Uncontrolled Overspeed Event	✓	✓	✓	✓
1900	Exhaust Frame Cooling Blower Inlet Wire Guard Reliability	Under Review	Under Review	Under Review	Under Review
1902	Ignition Exciter Spark Gaps Containing Krypton-85 Radioactive Gas	Information	Information	Information	Information
1566	Hazardous Gas Detection System Recommendations	✓	✓	✓	✓
1770	6B, 7E/EA AND 9E DLN1/1+ Tuning Requirements	✓	✓	✓	✓
1049-R3	B and E Class Gas Turbine Wheel Dovetail Material loss	✓	✓	✓	✓
1067-R3	E-Class Second-Stage Bucket Tip Shroud Deflection	✓	✓	✓	✓
1108-R1	Cast Segmented Turbine Nozzle Acceptance Guidelines	✓	✓	✓	✓
1368-2	Fire Prevention Measures for Air Inlet Filter Houses	✓	✓	✓	✓
1370-2	Accessory Module Hazardous Gas Detector Orientation	✓	✓	✓	✓
1454-2R3	Stator Blade Dovetail Base Cracking	✓	✓	✓	✓
1556	Security Measure Against Logic Forcing	✓	✓	✓	✓
1565	Safety Precautions to Follow While Working on Variable Guide Vanes	✓	✓	✓	✓
1577	Precautions For Air Inlet Filter House Ladder Hatches	✓	✓	✓	✓
1617	MS9001E Turbine Shell to Exhaust Frame Slippage	✓	✓	✓	✓
1623	Analog Input Frozen on Mark VI Control IO Cards	N/A	N/A	N/A	N/A
1628	E and B Class Gas Turbine Shell Inspection	✓	✓	✓	✓

**GT- 1 TO 4 TIL UPDATE APRIL 2017**

TIL #	Description	Unit			
		GT-1	GT-2	GT-3	GT-4
1132-2R1	Variable Inlet Guide Vanes- Spring and Thrust Washers	✓	✓	✓	✓
1213-R1	Spiral Wound Gasket Upgrades	✓	✓	✓	✓
1386-R1	Frame 9E DLN1 Secondary Nozzle C-Seal Improvement	✓	✓	✓	✓
1420-2R1	Lube Oil Logic Enhancement	✓	✓	✓	✓
1423-2R1	9E DLN1 Liquid Fuel Operation	Advisory	Advisory	Advisory	Advisory
1443-2	7EA / 9E DLN-1 Liner Bulging Inspection and Service Limits	✓	✓	✓	✓
1473-2	Mark V Speedtronic Control Valve Calibration	Planned	Planned	Planned	Planned
1497-2	9E Alstom Generator Lift Oil Filters	✓	✓	✓	✓
1524-3R1	Combustion Spread Monitor Upgrade for MK V & MK VI	Under Review	Under Review	Under Review	Under Review
1528-3	Lube Oil Varnishing	✓	✓	✓	✓
1562-R1	Heavy Duty Gas Turbine Shim Migration and Loss	✓	✓	✓	✓
1571-R1	Purchasing Gas Turbine Inlet Filters	✓	✓	✓	✓
1576-R1	Gas Turbine Rotor Inspections	Planned	Planned	Planned	Planned
1585-R1	Proper Use and Care of Flexible Metal Hoses	✓	✓	✓	✓
1607	Bentley Nevada Equipment Insp & Maintenance	✓	✓	✓	✓
1619	Turbine Compartment High Temperature	✓	✓	✓	✓
1620	Flexible Metal Hose Design Change	✓	✓	✓	✓
1621	Water Accum Inside Atomizing Air System	✓	✓	✓	✓
1622-R1	Water Removal Systems For Corrosion Reduction	✓	✓	✓	✓
1626-R1	GE Fan Cimplicity HMI Vulnerability	✓	✓	✓	✓
1633	Load Coupling Pressure During Disassembly	✓	✓	✓	✓
1634	Bucket Low Speed Rub Prevention	✓	✓	✓	✓
1643	Distortion of No. 2 Bearing Brush Seals	✓	✓	✓	✓
1650	Battery Replacement Guidelines and Board Jumper Settings for Controller Cards	✓	✓	✓	✓
1707	Outer Crossfire Tube Packing Ring Upgrade	✓	✓	✓	✓
1731	Mod of HMI Screens - Nerc Reliability Standard VAR-002-1	✓	✓	✓	✓
1777	Turbine Control System Vulnerability to Viruses and Malware	✓	✓	✓	✓
1789	Network Configuration Advisory - Site Modifications to Control Networks	✓	✓	✓	✓
1807	Load Coupling Energy Release During Disassembly	✓	✓	✓	✓
1810	Trip Risk from Single Point Failure	N/A	N/A	N/A	N/A
1813	Hydraulic Actuator Stability Improvements	N/A	N/A	N/A	N/A
1861	Controller Stall Speed Parameters	N/A	N/A	N/A	N/A
1881	Network Security for Mark VI & VIE Controller Platforms	N/A	N/A	N/A	N/A
1951	Cyber Threat Notification – Sandworm	✓	✓	✓	✓
1985	Kammprofile Gasket Non-Conformance	✓	✓	✓	✓
1988	Z420 HP Hard Drive Failures, BIOS and Raid Updates	Under Review	Under Review	Under Review	Under Review
1910	Hot Air and Water leakage from the #2 Bearing Drain Line Flange	✓	✓	✓	✓

# Appendix C

**PLANT LAYOUT**



# Appendix D

**OVERHAUL SUMMARY**

## APPENDIX D – OVERHAUL SUMMARY

It is normal practice for planned maintenance activities on the power units and thermal desalination units to be undertaken during winter (November to March), the period of low power demand in the UAE.

### Types of Inspection / Overhauls

PLANT ITEM	INSPECTION / OVERHAULS		DURATION (DAYS)
Gas Turbine	AM	Annual Maintenance	6
	CI	Combustion Inspection	7
	HGPI	Hot gas Path inspection	18
	Major	Major Overhaul	31
Steam Turbine	AM	Annual Maintenance	5
	Minor	Minor Inspection	14
	Major	Major Overhaul	35
MSF	AM	Annual Maintenance	10
RO	DMF	Dual Media Filter	13

### Overhaul Summary 2015 – 2020

	2015	2016	2017	2018	2019	2020
GT-1	HGPI	AM	CI	AM	AM	Major
GT-2	AM	AM	CI	AM	Major	AM
GT-3	AM	HGPI	AM	CI	AM	AM
GT-4	HGPI	AM	AM	CI	AM	MI
GT-5	-	AM	AM	Major	AM	AM
ST-1	AM	AM	AM	AM	Major	AM
ST-2	AM	Minor	AM	AM	AM	AM
MSF-1	AM	AM	AM	AM	AM	AM
MSF-2	AM	AM	AM	AM	AM	AM
MSF-3	AM	AM	AM	AM	AM	AM
MSF-4	AM	AM	AM	AM	AM	AM
MSF-5	AM	AM	AM	AM	AM	AM
RO Units	DMF	DMF	DMF	DMF	DMF	DMF

The planned outage sequence above is based on running 6,000 FFH per year.

# Appendix E

**HISTORICAL PLANT ISSUES**

## **APPENDIX E – HISTORICAL PLANT ISSUES**

### **2016**

- Sodium Hypochlorite Generation skid electrodes replaced with new ones.
- New CO2 vaporizers installed.
- ST#1 main stop valve found to be stuck; both valves overhauled.
- HRSG-3 and -4 tube leaks; repair work undertaken.
- GT#5 inlet guide vane angle increased.
- GT#4 combustion issue, GE consulted and unit shut down for attending issue.
- Boiler feed pump motor winding failure, repaired.
- GT#2 cranking motor failed and replaced with spare motor.
- GT#3 cross fire tubes, primary and secondary nozzles replaced with new ones.
- GT#4 high CO emissions detected, hardware replaced.

### **2015**

- In 2015 there have been a limited number of minor technical operational issues which have occurred at the power plant. With all of these the Owner and Operator have arranged shutdowns with the LDC, resolved the issue and returned the units to service in good time.
- Instrument Air compressor replaced with new one, and exhaust duct extended out of compressor room to reduce air temperature.
- HRSG-2, -3 and -4 tube leaks; repair work undertaken.
- Malfunctioning thrust bearing thermocouple on steam turbine generator #2.
- GT#3 fire detector housing damaged.

### **2014**

- GT-5 forced outage due to compressor stator S1 blade liberation and damage on the other stator and rotor stages; rotor removal, compressor rotor sent to France for replacement. This event was responsible for the low availability and reliability figures in 2014.
- Gas leakage for breaker compartment in two GIS bays; identification and rectification performed with support of OEM.
- HRSG-2 tube leak; repair work completed.
- GT-5 rocking value observed above the acceptable limits during GT-5 boroscope, decided to go for big foot modification to correct the rocking issue for the compressor stages 14-16.
- HRSG-1 tube leak reported; repaired.

### **2013**

- Tube leaks experienced in evaporator sections of HRSGs. Owner is replacing tubes as and when required and has employed a consultant to undertake an assessment, and chemical cleaning on one HRSG in May 2014.

- Brine Recirculation P (BRP) motor failure, caused by a design issue allowing rotor rubbing with stator. Station procured 8 new rotors with modified design as per Hyundai recommendation and completed repair / overhauling of all motors.
- Rocking was noticed on the GT-5 compressor stator stages 15 & 16 but it was below the acceptable limits.
- HRSG#1 evaporator tube leak (noticed Oct'12) repaired with tube replacement.
- HRSG#2 evaporator tube leak repair work undertaken.

## **2012**

- HRSG#1 tube leak repair work and super heater support fixing undertaken.
- 3 sea water intake navigational buoy lantern lights damaged, replaced with new.
- HRSG (unit number not stated) header failure repair work completed.
- MSF#2 BRP#1 Motor tripped on Rotor lockout and MSF#4 BRP#2 motor tripped on winding temperature high. MSF #4 BRP motor replaced with spare one and MSF#4 made available. Both motors repaired by OEM.
- HRSG#1 and #3 evaporator tubes leaks. Owner employed a number of consultants to review and provide recommendations for repair.

## **2011**

- Plant was requested to run continuously on back-up fuel in May and June 2011 due to gas shortages. Net Dependable Capacity Test was rescheduled from April to September 2011 due to gas shortage.
- Leakage from HRSG#1 and #3 evaporator tubes. Short term solutions were implemented with cognisance given to long term solutions. Provision of supply for sodium hypochlorite from the M/s Safe Water Company in UAE or from a new electro-chlorination plant within F1 shall be driven by financial evaluation and long term supply risk. If a new electro-chlorination plant within F1 is financially more competitive, this shall be the preferred option to secure the supply of sodium hypochlorite during the period of PWPA.

## **2010**

- Leakage from HRSG#1 and #3 evaporator tubes. Installation of DAF for the existing SWRP Plant and the new SWRO plant will ensure plant availability during the deteriorating seawater quality especially during red tides. The DAF before the media filters in the pre-treatment will ensure lesser load on the pre-treatment system.

## **2009**

- "Suffered from red tide for 15 days in March, 1.6 days in April, 2.5 days in May, 2.6 days in June and 20 hours in August." The installation of DAF for the existing SWRO plant as well as for the new SWRO plant makes a robust pre-treatment for both these plants and red tides event will not impact plant operation once the DAF is commissioned and best practices as recommended by the supplier are applied during operation of the RO plants.
- A Dolphin gas interruption occurred from 14-16 October during hot tapping. This appears to be an isolated incident.
- Leakage from HRSG#1 and #3 evaporator tubes reported as an area of concern. Short term solutions were implemented with cognisance given to long term solutions.

- “Bad sea water quality; the high SDI of the intake sea water has put excessive load on the RO pre-treatment system and impacted RO operation. The proposed RO expansion plant is expected to have a larger DAF unit to provide the pre-treatment of sea water to existing and new RO plants.”

## 2008

- HRSG#3 tube replacement work undertaken.
- HRSG#4 main steam line welding repairs undertaken.
- HRSG#1 and #3 evaporator tube leaks reported.
- “Bad sea water quality and red tide events, the high SDI of the intake sea water put excessive load on the SWRO pre-treatment system.” The installation of DAF for the existing SWRO plant as well as for the new SWRO plant makes a robust pre-treatment for both these plants and red tides events will not impact plant operation once the DAF is commissioned and best practices as recommended by the supplier are applied during operation of the RO plants.
- High pressure and low pressure main and start-up bypass stations were found to have internal cracks, requiring rectification work.

## 2007

- Upgrading program for GTs 1&2 did not achieve the expected improvement in heat rate. Probable gas shortage in the summer was foreseen, with the consequent requirement to run the Units on distillate (liquid fuel).
- HRSG#3 tube failure occurred; defective tubes plugged. Arrangements made to replace all plugged tubes (80) of the evaporator.
- Trip occurred in 132 kV GIS, wherein three feeders and three generators were affected. Incident was investigated and corrective measures taken and an overall check of the entire protection system configuration.
- Seawater Intake System damaged occurred during the Cyclone Gonu in June 2007. Both MSF bell mouths required repair.
- Repeated failure of Combustion Components for the 9E machines whilst running on gas oil. GE corrective measures taken including replacement of existing liners with Nimonic Liners, water cooled check valves and low-coking fuel nozzles for GT#3.
- The gas supply from Oman was replaced with gas from ADNOC, with the UAE gas network boosted with supply of Dolphin (DEL) Gas from Qatar. Gas pressure at the plant Gas Metering Station was reported as comparatively low (range 24 ~ 26 bar). Shortage of gas in the summer led to increased use of diesel gas oil.
- GT#1 bearing no.2 sealing air gaskets and no. 3 bleed valve were replaced with OEM repeating the performance test.
- Membrane replacement was done in September 2007 for Rack # 8 Line-B. All the membranes in this rack were replaced with new membranes. Relatively better quality from the old membranes of Rack # 8 were used as a replacement for the other rack membranes (which were to be replaced). All these replacements were gradually completed in one month. After replacement, production and quality of water from the plant improved. The improvement in performance is due to installation of new membranes. Usually the performance of membrane is dependent on the membrane life and deterioration happens during the life of the membrane. The membranes technical life guarantee provided by the supplier is 3 years and manufacturing defect guarantee is for 5 years. However, the

membranes last longer than the guaranteed period (for up to 7 years) if the plant is operated properly.

- HRSG#2 damaged superheater tube plugged.
- MSF # 1 – High Distillate Conductivity issue was thoroughly investigated in 2007 and a leaking Tube in Stage 16 was plugged and a few leaking areas in this Distillatory were also rectified.” Leakage in the tubes leads to mixing of seawater (high conductivity) with distillate thereby increasing the distillate conductivity. The plugging of leaking tubes and rectification of leaking area ensured MSF distillate conductivity as guaranteed by the MSF supplier. There were very few tubes which have been plugged and the MSF plant operated well subsequently.

Failure of RO Plant High Pressure Pumps and Filtered Water Pumps in 2007 was taken up with the contract. The Filtered Water Pumps were replaced by the Contractor and the vibration issue in the existing RO Plant High Pressure Pump was rectified by the Contractor.

- “Contract for Re-Instatement of Seawater Intake Facilities (bell mouth reinstatement) was finalized with M/s. SIX Construct. The bell mouth was damaged due to Cyclone Gonu in 2007. The repair work completed in March / April 2008. M/s. HALCROW was appointed as Consultant for Supervision of the Re-Instatement Works. The entire work was done under Insurance Re-imbusement.” The re-Instatement of Seawater Intake Facilities has further secured the seawater supply to the water plants.

#### **2004 – 2006**

The majority of actions undertaken in this period were closure of EPC punch list items.

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# Appendix F

**POWER PLANT TRIPS / FORCED OUTAGES**

**APPENDIX F – POWER PLANT TRIPS / FORCED OUTAGES**

YEAR	UNIT	CAUSE	PERIOD	HRS	TOTAL OUTAGE HOURS
2016	GT#1	GT#1 tripped on I/O communication failure	Mar-16	2.55	8
	GT#3	GT#3 tripped at 107 MW due to Turbine under speed.	Feb-16	3.07	
	GT#5	GT#5 Tripped due to loss of duct burner scanner air blower#2.	Jan-16	1.95	
2015	GT#3	GT#3 tripped after synchronization at 20 MW due to exhaust spread high.	Apr-15	2.92	38
	Plant	GT#3, GT#4, GT#5, ST#1 and ST#2 tripped due to running instrument compressors failed.	Mar-15	14.5	
	GT#3	GT#3 tripped at 50 MW due to False fire alarm and CO2 released in turbine compartment.	Feb-15	19.65	
	ST#2	ST#2 thrust bearing thermocouple defect	Jan-15	1.33	
2014	ST#2	Tripped on inlet HP steam pressure Low, due to malfunctioning of steam control valve	Feb-14	0.92	70 + GT#5 extended forced outage
	GT#3	Failure of input QD-1 terminal Board card for mark V	Mar-14	5.70	
	ST#1	Tripped without any alarm (fire protection control oil solenoid power plug found to be faulty)	Mar-14	7.55	
	GT#2	Tripped due to speed signal loss alarm, speed sensor found to be defective	Mar-14	4.58	
	GT#4	Tripped on inlet gas pressure low, due to GPRS water bath heater valve being closed	Mar-14	0.88	
	GT#5	GT#5 extended forced outage	May-14	-	
	GT#3	Deloaded and tripped due to incomer failure due to lube oil mist eliminator being grounded	Jun-14	5.05	
	GT#1	Tripped on low hydraulic oil pressure	Jul-14	4.23	
	GT#4	Tripped on load compartment fire alarm, due to defective manual call point	Jul-14	4.07	
	GT#4	Tripped on gas detect alarm, leak found and plugged	Jul-14	3.38	
	GT#5	Tripped on fire protection, defective EV card	Oct-14	9.45	
2013	GT#2	Tripped on compressor OP limit protection max ctrl error, due to defective transmitter	Nov-14	7.02	160
	GT#4	Tripped on hydraulic oil supply pressure Low Low	Nov-14	17.05	
	GT#5	Tripped due to diffusion valve purge gas open switch received	Feb-13	6.48	
	ST#2	Tripped due to thrust bearing thermocouple fault	Mar-13	0.87	
	GT#4	Tripped due to exhaust temperature spread High at time of running on liquid fuel after changeover from gas to liquid	Apr-13	0.17	
	ST#2	Tripped on shaft vibration high high due to earthquake tremors	Apr-13	0.22	
	GT#3	Tripped due to spurious fire alarm	Jul-13	2.30	
	GT#2	Tripped during fuel changeover	Jul-13	0.37	
GT#4	Tripped due to fire protection activation, torque convertor damaged	Aug-13	138.20		

YEAR	UNIT	CAUSE	PERIOD	HRS	TOTAL OUTAGE HOURS
	GT#2	Tripped on high exhaust temperature spread trip at time of changeover from premix to Lean Positive Mode due to IBH control valve problem	Nov-13	1.63	
	GT#2	Tripped on high exhaust temperature spread trip at time of changeover from premix to Lean Positive Mode	Dec-13	0.65	
	ST#1	Tripped due to HP steam inlet pressure low low	Dec-13	0.78	
	GT#1	Tripped due to speed signal protection relay activated	Dec-13	1.45	
	GT#1	Tripped due to speed signal protection relay activated	Dec-13	7.28	

**APPENDIX F – POWER PLANT TRIPS/FORCED OUTAGES – CONTINUED**

YEAR	UNIT	CAUSE	PERIOD	HRS	TOTAL OUTAGE HOURS
2012	GT#1	Tripped due to Protective Relay Module Acceleration HP alarm	Jan-12	5.13	65
	GT#5	Tripped due to Inlet Guide Vane position fault and Exhaust Over temperature High Trip	May-12	6.72	
	GT#5	Tripped due to Loss of Flame because of Inlet Guide Vane malfunction	May-12	25.13	
	ST#1	Tripped due to low inlet pressure because of GT#5 tripping and lower steam input	May-12	1.12	
	GT#5	Trip due to gas control valve trouble and Inlet Guide Vane position trouble	Jun-12	10.38	
	ST#1	Tripped due to electrical overspeed protection channel alarm triggered	Jun-12	1.27	
	GT#5	Tripped due to high exhaust spread. Linear variable displacement transformer found to be defective	Jun-12	2.98	
	GT#5	Tripped due to Inlet Guide Vane Control Fault	Jun-12	7.48	
	GT#5	Unplanned outage taken for Boroscope inspection after 4000 Hrs as per GE recommendation for rocking issue	Jul-12	-	
	ST#1	Tripped on back pressure low alarm because of HRSG#3 steam header welding joint failure	Jul-12	2.45	
ST#2	Tripped on inlet pressure low alarm because of HRSG#3 steam header welding joint failure	Jul-12	2.78		
2011	GT#1	Loss of Excitation caused GT to go to Full Speed No Load	Feb-11	8.00	26
	GT#3	Tripped due to Exhaust Temperature High	Mar-11	0.08	
	ST#2	Tripped due to malfunction of Thrust Bearing Thermocouple	Apr-11	0.95	
	GT#5	Tripped due to tripping of Unit Auxiliary Transformer incomer, due to grid disturbance	Apr-11	0.82	
	ST#1	Tripped due to generator protection - Reverse Power Stage 3	May-11	3.98	
	ST#1	Tripped due to generator protection - Reverse Power Stage 3	May-11	6.02	
	GT#5	Tripped due to Fuel Stop Valve control issue	Jun-11	1.58	
	GT#1	Tripped due to Exhaust Temperature high, due to high thermocouple reading	Jun-11	1.58	
	GT#2	Tripped due to exhaust temperature high, when water injection was taken in service	Jun-11	0.38	
	GT#5	Tripped due to Customer Protection relay operated	Jun-11	0.70	
GT#5	Tripped due to combustion trouble alarm	Jul-11	1.08		
GT#5	Tripped due to combustion trouble alarm at time of fuel changeover	Sep-11	0.40		

**APPENDIX F – POWER PLANT TRIPS/FORCED OUTAGES – CONTINUED**

YEAR	UNIT	CAUSE	PERIOD	HRS	TOTAL OUTAGE HOURS
2010	GT#1	Tripped due to high exhaust gas temperature	Feb-10	0.58	144
	ST#2	Tripped without any alarm	Feb-10	60.02	
	ST#2	Tripped whilst at 76 MW due to protection trip on Live Steam Temperature Gradient	Mar-10	0.57	
	GT#4	Tripped during changeover from Gas to Oil	May-10	0.37	
	GT#2	Tripped during fuel changeover from oil to gas	Jun-10	1.67	
	ST#2	Tripped due to Generator protection initiated	Jun-10	65.27	
	GT#1	Tripped with generator rotor earth fault protection	Aug-10	8.35	
	GT#2	Tripped during fuel changeover from gas to oil	Oct-10	0.43	
	GT#5	Generator breaker opened due to excitation transformer trip	Oct-10	1.90	
	ST#2	Tripped due to Live Steam Temperature Gradient	Nov-10	3.63	
	GT#1	Generator breaker tripped and went to Full Speed No Load	Nov-10	1.15	
2009	GT-5	Tripped during automatic fuel change-over	Mar-09	1.58	195
	GT-4	Tripped at 8 MW due to bleed valve problem.	Mar-09	0.58	
	GT-3	Tripped at 110 MW due to GT Auxiliary Shaft failure	Apr-09	94.62	
	ST-2	Tripped without any alarm.	Apr-09	0.98	
	GT-5	Tripped during fuel change-over	May-09	1.58	
	ST-1	Tripped due to earthquake tremors	May-09	1.70	
	ST 2	Tripped due to earthquake tremors	May-09	2.20	
	GT-5	Tripped due to IBH C/V opening.	May-09	0.43	
	GT-5	Tripped on UAT Protection.	May-09	7.65	
	GT-5	Tripped on UAT Protection.	May-09	0.82	
	GT-4	Secondary Water Injection Purge Pressure Low	May-09	3.45	
	STG-1	Tripped without any Alarm	May-09	1.17	
	GT-5	Tripped on High Exhaust temp spread	May-09	0.27	
	GT-5	Tripped on High Exhaust temp spread	May-09	1.02	
	GT-5	Tripped on High Exhaust temp spread	May-09	56.33	
	GT-5	Tripped due to 400 kV breaker feedback lost	Jun-09	4.58	
	STG-1	STG 1 tripped without any alarm	Jul-09	0.90	
	STG- 2	STG 2 tripped without any alarm	Jul-09	0.90	
	GT-3	Tripped on Water Injection Purge Pressure low	Jul-09	1.88	
	GT-5	Tripped on excitation Transformer Trouble - Trip	Aug-09	2.10	
	GT-5	Tripped on excitation Transformer Trouble - Trip	Aug-09	3.67	
GT-5	Grid Disturbance	Oct-09	3.27		
GT-5	Tripped due to 400 kV breaker feedback lost	Dec-09	3.00		

**APPENDIX F – POWER PLANT TRIPS / FORCED OUTAGES – CONTINUED**

YEAR	UNIT	CAUSE	PERIOD	HRS	TOTAL OUTAGE HOURS
2008	ST#2	Tripped due to communication card problem	Jan-08	5.25	155
	GT#3	Tripped at 105 MW load without any pre-alarm/ warning	Jan-08	5.35	
	GT#3	Tripped due to Gas fuel hydraulic trip pressure low	Jan-08	7.55	
	ST#1	Tripped due to false reading of shaft vibration of Generator Bearing #2	Jan-08	2.00	
	HRSG#4	Main steam welding failure	Feb-08	96.00	
	HRSG#2	Duct Burner Cooling Air Fan tripped and diverter damper closed	Feb-08	2.57	
	GT#1	Tripped due to dry low NOx trouble alarm and secondary fuel oil purge pressure low	Mar-08	9.22	
	Plant	The Natural Gas supply was interrupted due to wrong manoeuvring of valve by DEL personnel at their local Metering Station. This sudden closure of gas valve caused complete shutdown of the Plant (except RO Plant)	May-08	24.00	
	GT#1	GT - 1 Tripped due to fire indication in Zone #3, False fire.	Jul-08	2.88	
ST#1	Minor fire due to Control Oil Leakage	-	-		
Plant	Instability occurred in the FEWA grid due to a fault on the transmission line and this affected the station	-	-		
2007	STG-1	STG-1 tripped on faulty thrust bearing thermocouple reading.	Feb-07	4.23	130
	GT-3	Gt-3 tripped on Exhaust Over temperature high at the time of fuel c/o.	Apr-07	4.47	
	GT-1	GT-1 tripped on 125 V DC ground and bunch of alarms	May-07	7.35	
	GT-3	Gt-3 tripped on communication failure	May-07	1.85	
	GT-4	GT-4 tripped on DLN system trip	Jul-07	25.42	
	GT-1	GT - 1 Tripped with the alarm "Generator breaker trip followed by Loss of Flame trip"	Oct-07	82.95	
GT-2	Tripped on Spurious vibration alarm	Nov-07	3.72		
2006	-	No undesired trips in the Plant	-	-	-

# Appendix G

**NEW RO PLANT TRIPS / FORCED OUTAGES**

## APPENDIX G – NEW RO PLANT TRIPS / FORCED OUTAGES

Sn	Date	Event	Cause of Failure	Notification 12 Hrs	INI Sent to RSB?	FIR Sent to RSB?	Trip Duration with Racks Unavailable				Availability Loss (TIG)
							No of Racks Affected	Start Date & Time	End Date & Time	Time Lost (min)	
1	02-Dec-15	Four RO trains "5,6,7,8" tripped at 16:13	Communications fault in "RO B" PLC	NO	NO	NO	4	12/02/2016 16:13	12/02/2016 19:15	182	1628
2	09-Dec-15	Total RO plant tripped at 10:21	Communications fault in Pretreatment PLC	YES	YES	NO	8	12/09/2016 10:21	12/09/2016 12:15	114	2375
3	09-Dec-15	Total RO plant tripped at 13:22	Human mistake	YES	YES	NO	8	12/09/2016 13:22	12/09/2016 13:30	8	166.67
4	10-Dec-15	One RO train "8" tripped at 3:30	Inlet Flushing valve failure	NO	NO	NO	1	12/10/2016 03:29	12/10/2016 05:53	144	375
5	10-Dec-15	One RO train "4" tripped at 3:48	ERD LP Inlet flowmeter reading was fluctuating /unstable reading.	NO	NO	NO	1	12/10/2016 03:48	12/10/2016 05:53	125	0
6	13-Dec-15	Four RO trains "1,2,3,4" tripped /Four ERD booster pumps tripped at the same moment at 22:55	Communication failure in RO-APLC	NO	NO	NO	4	13/12/2016 22:55	13/12/2016 23:30	35	313
7	15-Dec-15	One RO train "8" tripped at 6:35	Leak at HPP-6 cooling system drain plugs	NO	NO	NO	1	15/12/2016 06:35	15/12/2016 08:32	117	351
8	15-Dec-15	Three RO trains "1,2,3" tripped at 10:27	Communication failure in RO-APLC	NO	NO	NO	3	15/12/2016 10:27	15/12/2016 11:00	33	295.1
9	19-Dec-15	One RO train "8" tripped at 15:58	Low-Low flow alarm in HPP-6 cooling system flowmeter/loss communication with system	NO	NO	NO	1	19/12/2016 15:58	19/12/2016 16:30	32	96
10	20-Dec-15	One RO train "8" tripped at 3:56	ERD inlet flow high	NO	NO	NO	1	20/12/2016 3:56	23/12/2016 4:07	11	33
11	23-Dec-15	Three RO trains "1,2,3" tripped at 9:12	Communication failure in RO-APLC	NO	NO	NO	3	23/12/2016 9:12	23/12/2016 9:39	27	241.5
12	07-Jan-16	One RO train "4" tripped at 14:23	HPP 5 cooling flow low low	NA	NA	Loss less than 15 MIGD	1	01/07/2016 14:23	01/07/2016 14:47	24	0
13	19-Jan-16	Total RO plant tripped at 9:28	Changeover of the RO feed booster pump of the ERD line	NO	YES	YES	8	19/1/2016 09:28	19/1/2016 09:42	14	291.67
14	19-Jan-16	One RO train "4" tripped at 13:57	Brine discharge flow High high	NA	NA	Loss less than 15 MIGD	1	19/1/2016 13:57	19/1/2016 14:09	12	0
15	23-Jan-16	Three RO trains "1,2,3" tripped at 15:00	Rack No.1 ERD pump suction pressure low low	NO	YES	Loss less than 15 MIGD	3	23/1/2016 15:00	23/1/2016 15:05	5	29.86
16	23-Jan-16	Total RO plant tripped at 22:00	Feed booster pumps tripped (1 and 5; 2 and 3 OOS)	NO	YES	YES	8	23/1/2016 22:30	24/1/2016 00:17	137	2854.1
17	25-Jan-16	Three RO trains "1,2,3" tripped at 00:30	HPP No.1 discharge valve confirmation failure	NO	YES	Loss less than 15 MIGD	3	25/1/2016 00:30	25/1/2016 00:32	2	11.94
18	27-Jan-16	Three RO trains "1,2,3" tripped at 4:40	RO HP Pump No.1 Discharge valve failure	YES	YES	Loss less than 15 MIGD	3	27/1/2016 04:40	27/1/2016 04:54	14	83.6
19	27-Jan-16	Three RO trains "1,2,3" tripped at 5:18	RO HP Pump No.1 Discharge valve failure	YES	YES	Loss less than 15 MIGD	3	27/1/2016 05:18	27/1/2016 08:51	213	1272
20	28-Jan-16	Total RO Plant Tripped at 10:30 hrs	the level meter of the filtrated water tank indicated 0% wrongly.	YES	YES	YES	8	28/1/2016 10:30	28/1/2016 11:15	45	937
21	31-Jan-16	One RO train "8" tripped at 1:51	H.P pump no.6 tripped	NA	NA	Loss less than 15 MIGD	1	31/1/2016 1:51	31/1/2016 2:03	12	0
22	01-Feb-16	Five RO trains tripped "4,5,6,7,8" at 11:19	due to change over of the transformer no.2 to 1	YES	YES	YES	5	02/01/2016 11:19	02/01/2016 11:32	13	154.9
23	01-Feb-16	Four RO train tripped 5,6,7,8 at 16:50	RO feed booster pump no.4 device failure	YES	YES	Loss less than 15 MIGD	4	02/01/2016 16:50	02/01/2016 17:14	24	214.6
24	06-Feb-16	One RO train tripped "8" at 9:38	HHP device failure	NA	NA	Loss less than 15 MIGD	1	02/06/2016 09:38	02/06/2016 09:45	7	0
25	06-Feb-16	One RO train tripped "8" at 19:01	HP pump no.5 discharge valve confirmation failure	NA	NA	Loss less than 15 MIGD	1	02/06/2016 19:01	02/06/2016 19:13	12	0
26	08-Feb-16	One RO train tripped "4" at 13:22	ERD booster pump discharge pressure high alarm	NA	NA	Loss less than 15 MIGD	1	02/08/2016 13:22	02/08/2016 13:31	9	0
27	10-Feb-16	Total RO plant tripped at 16:00	Posttreatment PLC failure	YES	YES	10-Mar	8	02/10/2016 16:00	02/10/2016 16:53	53	1546
28	17-Feb-16	Total RO plant tripped at 18:18	RO building power failure	YES	YES	13-Mar	3	02/10/2016 16:00	02/10/2016 18:07	74	
29	17-Feb-16	One RO train tripped "4" at 23:40	H.P pump no.5 tripped	NA	NA	Loss less than 15 MIGD	1	17/2/2016 19:00	17/2/2016 20:40	100	0
30	18-Feb-16	Three RO trains "5, 6, 7" tripped at 6:40	RO feed booster pump no.4 device failure and pressure dropped and HPP 3 tripped	as per instruction from RSB not send	NA	Loss less than 15 MIGD	3	18/2/2016 6:40	18/2/2016 6:50	10	89.4
<b>* FIR reprint will be sent to RSB only if the plant loss more than 15 MIGD</b>											
31	06-Mar-16	Total RO tripped at 19:40	high pressure in the permeat collector while preparing of CIP	YES	YES	YES	8	03/06/2016 19:40	03/06/2016 20:26	46	958.3
32	09-Mar-16	Total RO tripped at 19:30	RO Racks all tripped due to a power supply failure "under Voltage"	YES	YES	YES	8	03/09/2016 12:31	03/09/2016 13:41	70	1458.3
33	30-Mar-16	Three RO trains tripped "1,2,3" at 14:03	HPP#1 device failure	YES	YES	Loss less than 15 MIGD	3	30/3/2016 14:03	30/3/2016 14:47	44	262.7
34	06-Apr-16	Four RO trains tripped at 16:20 "1,2,3,4"	HP pumps no.1 and 5 tripped.	YES	YES	Loss less than 15 MIGD	4	04/06/2016 16:20	04/06/2016 17:00	40	475.5
35	12-Apr-16	Three RO trains tripped "1,2,3" at 01:50	HP pump 1 tripped	YES	YES	Loss less than 15 MIGD	3	04/12/2016 01:50	04/12/2016 01:55	5	29.86
36	23-Apr-16	Four RO trains tripped at 01:39 "1,2,3,4"	ERD pumps confirmation failure	YES	24-Apr	Loss less than 15 MIGD	3	23/4/2016 1:39	23/4/2016 1:45	6	53.67
37	24-Apr-16	Three RO trains tripped "1,2,3" at 18:00	ERD discharge flow High High in Rack No.01	DBO didn't notify on time	NO	Loss less than 15 MIGD	3	24/4/2016 18:00	24/4/2016 18:10	10	89.4
38	11-May-16	Five RO trains tripped 1,2,3,4,8 at 16:29	due to a pressure drop in the air line	YES	YES	YES	5	05/11/2016 16:29	05/11/2016 17:05	36	650.3
39	18-May-16	Total Plant tripped at 17:46	due to communication loss with instruments and equipment in the pre-treatment.	YES	YES	YES	8	18/05/2016 17:46	18/05/2016 18:19	33	687.5
40	18-Jun-16	Total Plant tripped at 17:46	communication	YES	YES	YES	8	18/06/2016 17:46	18/06/2016 18:27	41	854.17

## APPENDIX G – WATER PLANT TRIPS / FORCED OUTAGES – CONTINUED

Sn	Date	Event	Cause of Failure	Notification 12 Hrs	INI Sent to RSB?	FIR Sent to RSB?	Trip Duration with Racks Unavailable				Availability Loss (TIG)
							No of Racks Affected	Start Date & Time	End Date & Time	Time Lost (min)	
41	20-Jul-16	Three RO trains tripped "5,6,7" at 11:50	signal loss during maintenance job in Rack 5		YES	Loss less than 15 MGD	3	20/07/2016 11:50	20/07/2016 12:06	16	95.6
42	21-Aug-16	Total Plant tripped at 15:22	Power loss	YES	YES	06-Oct	7	21/08/2016 15:22	21/08/2016 18:59	217	3955.7
43	19-Sep-16	FOUR RO trains tripped 1,2,3,4 at 22:39	ERD pump signal loss	YES	YES	YES	4	19/09/2016 22:39	19/09/2016 23:00	21	273.40
45	30-Sep-16	Total Plant Tripped at 17:56b	communication flow disruption	YES	YES	YES	7	30/09/2016 17:56	30/09/2016 18:29	33	687.5
46	17-Oct-16	Four (RO Trains) Rack Tripped 1,2,3,4 at 6:39	communication error of ERD Pump	YES	YES	YES	4	17/10/2016 6:39	17/10/2016 6:55	16	208
47	18-Oct-16	Three RO trains tripped "5,6,7" at 21:44	ERD Booster pump of rack #7 tripped	YES	YES	Loss less than 15 MGD	3	18/10/2016 21:44	18/10/2016 00:58	194	1516
48	03-Nov-16	Three RO racks 1, 2 and 3 tripped at 08:35	(Communication error) Signal status loss in ERD booster pumps 1, 2, 3.	YES	YES	Loss less than 15 MGD	3	11/03/2016 14:44	11/03/2016 14:54	10	89.44
49	06-Nov-16	Three RO Racks #5, #6 and #7 tripped d at 14:44	Rack#7 inlet pressure increased and activated the pressure switch high.	YES	YES	Loss less than 15 MGD	3	11/06/2016 14:44	11/06/2016 14:54	10	59.72
50	25-Nov-16	Three RO Racks #1,2,3 tripped at 8:32	confirmation error	YES	YES	Loss less than 15 MGD	3	25/11/2016 8:32	25/11/2016 8:50	18	161
51	26-Nov-16	Total Plant tripped at 10:45	(Communication error) Lost signal of discharge valve of RO Feed booster 1&3	YES	yes	YES	8	26/11/2016 10:45	26/11/2016 11:05	20	640.28
							4	26/11/2016 10:45	26/11/2016 11:30	25	
52	26-Nov-16	Three RO Racks 1,2,3 tripped at 22:24	(Profibus Fault) ERD no.1 inlet flow low low alarm & LP circuit not opened interlock	YES	YES	Loss less than 15 MGD	3	26/11/2016 22:24	26/11/2016 22:48	24	143.33
53	27-Nov-16	RO Rack no.4 Tripped	very high conductivity and high high alarm received in ERD line	N/A	N/A	Loss less than 15 MGD	1	27/11/2016 08:37	27/11/2016 09:03	26	78
54	28-Nov-16	Three RO Racks 1,2,3 tripped at 02:15	Leakage on the cooling line of Rack#1	YES	yes	Loss less than 15 MGD	3	28/11/2016 14:15	28/11/2016 14:48	33	197.08
55	30-Nov-16	Four RO Racks 1,2,3,8 tripped at 02:03	RO feed booster no.5 (ERD side) tripped	yes	yes	Loss less than 15 MGD	4	30/11/2016 2:03	30/11/2016 2:48	45	402.5
56	05-Dec-16	Three RO Racks 5,6,7 tripped at 02:25	(Profibus fault) in several ERD flow meters of 5,6,7	yes	yes	Loss less than 15 MGD	3	12/11/2016 02:25	12/05/2016 03:15	50	298.61
57	11-Dec-16	Three RO Racks 5,6,7 tripped at 10:40	(Profibus Fault) Tripping of Feed booster #6	yes	yes	Loss less than 15 MGD	3	12/11/2016 10:40	12/11/2016 13:30	170	1015.28
58	11-Dec-16	Three RO Racks 5,6,7 tripped at 13:39	(Profibus Fault) ERD Low low alarm	yes	yes	Loss less than 15 MGD	3	12/11/2016 13:39	12/11/2016 17:57	258	1540.83
59	14-Dec-16	Four RO Racks 1,2,3,4 tripped at 09:51	(Communication error) signal loss in ERD	yes	yes	YES	4	14/12/2016 09:51	14/12/2016 10:02	11	98.39
60	15-Dec-16	Three RO Racks 5,6,7 tripped at 10:22	profibus fault	yes	yes	Loss less than 15 MGD	3	15/12/2016 10:22	15/12/2016 10:41	19	113.47
61	17-Dec-16	Four RO Racks 1,2,3,4 tripped at 08:45	signal loss in ERD	yes	yes	YES	4	17/12/2016 8:45	17/12/2016 8:50	5	44.72
62	26-Dec-16	RO Racks 1, 2 & 3 Tripped due to RO Rack No. 2 ERD Inlet High High Alarm (Profibus Fault)	Profibus Fault	Yes	YES	Loss less than 15 MGD	3	26/12/2016 21:48	26/12/2016 22:30	42	250.83
63	31-Dec-16	09:15 hrs RO rack no. 1,2,3,4 tripped	Communication Error	YES	not on time	Loss less than 15 MGD	4	31/12/2016 9:15	31/12/2016 11:05	110	983.89
64	03-Jan-17	05:58 hrs RO rack no. 1,2,3,4 tripped due to loss signal in ERD Pump.	Communication Error	YES	yes	YES	4	01/03/2017 05:58	01/03/2017 06:10	12	143
65	03-Jan-17	14:41hrs RO rack no. 6,7 tripped	(profibus fault) ERD Pump Inlet Pressure low-low false alarm	YES	yes	Loss less than 15 MGD	2	01/03/2017 14:41	01/03/2017 15:10	29	173.19
66	04-Jan-17	08:43 hrs RO rack no. 1,2,3 tripped	Communication Error	not on time	yes	Loss less than 15 MGD	3	01/04/2017 20:43	01/04/2017 21:05	22	196.78
67	05-Jan-17	RO rack no. 1,2, 3 tripped at 16:37 hrs	(profibus fault) HPP#01 suction pressure low switch alarm	yes	yes	Loss less than 15 MGD	3	01/05/2017 16:37	01/05/2017 17:30	53	631.58
68	07-Jan-17	RO rack no. 5,6, 7 tripped at 21:02 hrs	(profibus fault) ERD side pressure low-low alarms	yes	yes	Loss less than 15 MGD	3	01/07/2017 21:02	01/07/2017 21:23	21	187.83
69	09-Jan-17	RO racks no. 1,2, 3 tripped at 08:33 hrs	(profibus fault) ERD discharge pressure low-low alarm	yes	yes	Loss less than 15 MGD	3	01/09/2017 08:33	01/10/2017 09:10	37	330.94
70	10-Jan-17	RO racks no. 1,2, 3 tripped at 08:11 hrs.	(Communication error) Due to Rack# 01 ERD inlet flow high-high alarm (profibus fault)	yes	yes	Loss less than 15 MGD	3	01/10/2017 08:11	01/10/2017 08:25	14	178.89
71	10-Jan-17	RO racks no. 1,2, 3 tripped at 15:27 hrs.	(Communication error) HPP#01 discharge valve not available alarm	yes	yes	Loss less than 15 MGD	3	01/10/2017 15:27	01/10/2017 15:33	6	53.67
72	18-Jan-17	Total Plant tripped (Rack 1,2,3,4,5,6,7,8 ) at 00:02 hrs 30 MIGD LOSS	(Profibus fault) RD Pump no. 03 inlet pressure low low Alarm "	Yes	Yes	Yes	8	18-01-17 00:02	30-01-17 01:00	58	1923.33
							5	18-01-17 00:02	30-01-17 02:00	60	
73	30-Jan-17	RO racks 3 tripped at 15:48 hrs.	Due to alarm "RO Rack#3, 1st Pass reject flushing outlet valve confirmation failure/ not open"	Yes. But, N/A	N/A	Loss less than 15 MGD	1	30-01-17 15:38	30-01-17 16:10	22	66
74	14-Feb-17	Total plant tripped (RO racks no. 1,2,3,4,5,6,7,8 ) at 00:02 hrs 30 MIGD LOSS	Due to "Rack 01 ERD Inlet Flow high high Alarm	YES	YES	Yes	8	14-02-17 00:02	14-02-17 00:45	43	895.83
75	20-Feb-17	Total Plant tripped (RO racks no. 1,2,3,4,5,6,7,8 ) at 15:50 hrs. 30 MIGD LOSS	Due to "Power Failure "	YES	YES	Yes	7	20-02-17 15:50	20-02-17 18:30	160	3452.78
							2	20-02-17 15:50	20-02-17 18:50	20	
76	06-Mar-17	Total Plant tripped (RO racks no. 1,2,3,4,5,6,7,8 ) at 19:03 hrs. 30 MIGD LOSS	Due to "Rack 5,6,7 ERD inlet Valves Confirmation Failure Alarm	YES	YES	Yes	8	06-03-17 19:03	06-3-17 19:31	28	846.11
							3	06-03-17 19:03	06-03-17 20:15	44	

# Appendix H

**NEW RO PLANT TRIPS / FORCED OUTAGES**

## APPENDIX G – NEW RO PLANT TRIPS / FORCED OUTAGES

Sn	Date	Event	Cause of Failure	Notification 12 Hrs	INI Sent to RSB?	FIR Sent to RSB?	Trip Duration with Racks Unavailable				Availability Loss (TIG)
							No of Racks Affected	Start Date & Time	End Date & Time	Time Lost (min)	
1	02-Dec-15	Four RO trains "5,6,7,8" tripped at 16:13	Communications fault in "RO B" PLC	NO	NO	NO	4	12/02/2016 16:13	12/02/2016 19:15	182	1628
2	09-Dec-15	Total RO plant tripped at 10:21	Communications fault in Pretreatment PLC	YES	YES	NO	8	12/09/2016 10:21	12/09/2016 12:15	114	2375
3	09-Dec-15	Total RO plant tripped at 13:22	Human mistake	YES	YES	NO	8	12/09/2016 13:22	12/09/2016 13:30	8	166.67
4	10-Dec-15	One RO train "8" tripped at 3:30	Inlet Flushing valve failure	NO	NO	NO	1	12/10/2016 03:29	12/10/2016 05:53	144	375
5	10-Dec-15	One RO train "4" tripped at 3:48	ERD LP Inlet flowmeter reading was fluctuating /unstable reading.	NO	NO	NO	1	12/10/2016 03:48	12/10/2016 05:53	125	0
6	13-Dec-15	Four RO trains "1,2,3,4" tripped /Four ERD booster pumps tripped at the same moment at 22:55	Communication failure in RO-APLC	NO	NO	NO	4	13/12/2016 22:55	13/12/2016 23:30	35	313
7	15-Dec-15	One RO train "8" tripped at 6:35	Leak at HPP-6 cooling system drain plugs	NO	NO	NO	1	15/12/2016 06:35	15/12/2016 08:32	117	351
8	15-Dec-15	Three RO trains "1,2,3" tripped at 10:27	Communication failure in RO-APLC	NO	NO	NO	3	15/12/2016 10:27	15/12/2016 11:00	33	295.1
9	19-Dec-15	One RO train "8" tripped at 15:58	Low-Low flow alarm in HPP-6 cooling system flowmeter/loss communication with system	NO	NO	NO	1	19/12/2016 15:58	19/12/2016 16:30	32	96
10	20-Dec-15	One RO train "8" tripped at 3:56	ERD inlet flow high	NO	NO	NO	1	20/12/2016 3:56	23/12/2016 4:07	11	33
11	23-Dec-15	Three RO trains "1,2,3" tripped at 9:12	Communication failure in RO-APLC	NO	NO	NO	3	23/12/2016 9:12	23/12/2016 9:39	27	241.5
12	07-Jan-16	One RO train "4" tripped at 14:23	HPP 5 cooling flow low low	NA	NA	Loss less than 15 MIGD	1	01/07/2016 14:23	01/07/2016 14:47	24	0
13	19-Jan-16	Total RO plant tripped at 9:28	Changeover of the RO feed booster pump of the ERD line	NO	YES	YES	8	19/1/2016 09:28	19/1/2016 09:42	14	291.67
14	19-Jan-16	One RO train "4" tripped at 13:57	Brine discharge flow High high	NA	NA	Loss less than 15 MIGD	1	19/1/2016 13:57	19/1/2016 14:09	12	0
15	23-Jan-16	Three RO trains "1,2,3" tripped at 15:00	Rack No.1 ERD pump suction pressure low low	NO	YES	Loss less than 15 MIGD	3	23/1/2016 15:00	23/1/2016 15:05	5	29.86
16	23-Jan-16	Total RO plant tripped at 22:00	Feed booster pumps tripped (1 and 5; 2 and 3 OOS)	NO	YES	YES	8	23/1/2016 22:30	24/1/2016 00:17	137	2854.1
17	25-Jan-16	Three RO trains "1,2,3" tripped at 00:30	HPP No.1 discharge valve confirmation failure	NO	YES	Loss less than 15 MIGD	3	25/1/2016 00:30	25/1/2016 00:32	2	11.94
18	27-Jan-16	Three RO trains "1,2,3" tripped at 4:40	RO HP Pump No.1 Discharge valve failure	YES	YES	Loss less than 15 MIGD	3	27/1/2016 04:40	27/1/2016 04:54	14	83.6
19	27-Jan-16	Three RO trains "1,2,3" tripped at 5:18	RO HP Pump No.1 Discharge valve failure	YES	YES	Loss less than 15 MIGD	3	27/1/2016 05:18	27/1/2016 08:51	213	1272
20	28-Jan-16	Total RO Plant Tripped at 10:30 hrs	the level meter of the filtrated water tank indicated 0% wrongly.	YES	YES	YES	8	28/1/2016 10:30	28/1/2016 11:15	45	937
21	31-Jan-16	One RO train "8" tripped at 1:51	H.P pump no.6 tripped	NA	NA	Loss less than 15 MIGD	1	31/1/2016 1:51	31/1/2016 2:03	12	0
22	01-Feb-16	Five RO trains tripped "4,5,6,7,8" at 11:19	due to change over of the transformer no.2 to 1	YES	YES	YES	5	02/01/2016 11:19	02/01/2016 11:32	13	154.9
23	01-Feb-16	Four RO train tripped 5,6,7,8 at 16:50	RO feed booster pump no.4 device failure	YES	YES	Loss less than 15 MIGD	4	02/01/2016 16:50	02/01/2016 17:14	24	214.6
24	06-Feb-16	One RO train tripped "8" at 9:38	HHP device failure	NA	NA	Loss less than 15 MIGD	1	02/06/2016 09:38	02/06/2016 09:45	7	0
25	06-Feb-16	One RO train tripped "8" at 19:01	HP pump no.5 discharge valve confirmation failure	NA	NA	Loss less than 15 MIGD	1	02/06/2016 19:01	02/06/2016 19:13	12	0
26	08-Feb-16	One RO train tripped "4" at 13:22	ERD booster pump discharge pressure high alarm	NA	NA	Loss less than 15 MIGD	1	02/08/2016 13:22	02/08/2016 13:31	9	0
27	10-Feb-16	Total RO plant tripped at 16:00	Posttreatment PLC failure	YES	YES	10-Mar	8	02/10/2016 16:00	02/10/2016 16:53	53	1546
							3	02/10/2016 16:00	02/10/2016 18:07	74	
28	17-Feb-16	Total RO plant tripped at 18:18	RO building power failure	YES	YES	13-Mar	8	17/2/2016 18:18	17/2/2016 19:00	42	875
29	17-Feb-16	One RO train tripped "4" at 23:40	H.P pump no.5 tripped	NA	NA	Loss less than 15 MIGD	1	17/2/2016 19:00	17/2/2016 20:40	100	0
30	18-Feb-16	Three RO trains "5, 6, 7" tripped at 6:40	RO feed booster pump no.4 device failure and pressure dropped and HPP 3 tripped	as per instruction from RSB not send	NA	Loss less than 15 MIGD	3	18/2/2016 6:40	18/2/2016 6:50	10	89.4
<b>* FIR reprint will be sent to RSB only if the plant loss more than 15 MIGD</b>											
31	06-Mar-16	Total RO tripped at 19:40	high pressure in the permeat collector while preparing of CIP	YES	YES	YES	8	03/06/2016 19:40	03/06/2016 20:26	46	958.3
32	09-Mar-16	Total RO tripped at 19:30	RO Racks all tripped due to a power supply failure "under Voltage"	YES	YES	YES	8	03/09/2016 12:31	03/09/2016 13:41	70	1458.3
33	30-Mar-16	Three RO trains tripped "1,2,3" at 14:03	HPP#1 device failure	YES	YES	Loss less than 15 MIGD	3	30/3/2016 14:03	30/3/2016 14:47	44	262.7
34	06-Apr-16	Four RO trains tripped at 16:20 "1,2,3,4"	HP pumps no.1 and 5 tripped.	YES	YES	Loss less than 15 MIGD	4	04/06/2016 16:20	04/06/2016 17:00	40	475.5
35	12-Apr-16	Three RO trains tripped "1,2,3" at 01:50	HP pump 1 tripped	YES	YES	Loss less than 15 MIGD	3	04/12/2016 01:50	04/12/2016 01:55	5	29.86
36	23-Apr-16	Four RO trains tripped at 01:39 "1,2,3,4"	ERD pumps confirmation failure	YES	24-Apr	Loss less than 15 MIGD	3	23/4/2016 1:39	23/4/2016 1:45	6	53.67
37	24-Apr-16	Three RO trains tripped "1,2,3" at 18:00	ERD discharge flow High High in Rack No.01	DBO didn't notify on time	NO	Loss less than 15 MIGD	3	24/4/2016 18:00	24/4/2016 18:10	10	89.4
38	11-May-16	Five RO trains tripped 1,2,3,4,8 at 16:29	due to a pressure drop in the air line	YES	YES	YES	5	05/11/2016 16:29	05/11/2016 17:05	36	650.3
							1	05/11/2016 16:29	05/11/2016 17:54	85	
39	18-May-16	Total Plant tripped at 17:46	due to communication loss with instruments and equipment in the pre-treatment.	YES	YES	YES	8	18/05/2016 17:46	18/05/2016 18:19	33	687.5
40	18-Jun-16	Total Plant tripped at 17:46	communication	YES	YES	YES	8	18/06/2016 17:46	18/06/2016 18:27	41	854.17

# Appendix I

**NEW HEAT RECLAIMER**

## HEAT RE-CLAIMER PROJECT

### Background:

The Fujairah F1 plant has four units of 9E gas turbines and HRSG's to produce power and HP steam for the two Steam Turbines (ST) and five Multi Stage Flash (MSF) desalination units. The flue gas exhaust from the HRSG stack is presently exhausted to atmosphere at a temperature of approx 170°C, as per current design of the HRSG.

The heat from the high temperature flue gas can be utilized to produce LP steam by installing a Heat Re-claimer after the economizer, just before the exhaust stack, reducing the flue gas temperature. This additional LP steam will be directly utilized in the MSF's resulting in the reduction of duct burner firing in HRSG's, thereby saving on the fuel consumption.

### Proposed Installation of Heat Re-claimers in F1 Plant:

The project comprises the installation of one Heat Re-claimer on each of the four existing Heat Recovery Steam Generators (HRSG's) of the GT 9E. The Heat Re-claimers will enable the recovery of the waste heat of the flue gas to produce LP steam for the desalination units. This will increase the efficiency of the whole plant by reducing the HRSG's duct burner firing and reduction in natural gas consumption. The proposed Heat Re-claimers operate as a low pressure evaporator system based on natural circulation.

For each HRSG flue gas duct, one module of the Heat Re-claimer is arranged in parallel to the Economiser tube bundle crossing the flue gas flow. The tubes in the cold flue gas zone works as down comers and the heated tubes work as evaporator tubes. Demisters are arranged at the top of the drum for separating the residual water droplets. Flow meter is installed at the outlet of the low pressure steam line to measure the amount of low pressure steam generated.

The Heat Re-claimers are of modular design arranged in a rectangular row to the HRSG flue gas flow. The modules are equipped with serrated in-tubes and installed within the existing boiler casing. For the installation of the additional Heat Re-claimer modules, the existing vertical expansion bellow will be shifted towards the stack and the boiler duct will be adjusted. The modules are connected to the streaming evaporator tubes and to the steam drum with a safety valve and a saturated steam header at the top.

The drum of each module is supported by a new cantilever steel structure and fix onto the existing boiler structure.

At the bottom, a reverse header is connected to the evaporator tubes.  
There are two options under review.

- Option 1: Low pressure steam generated at 1.5 bar
- Option 2: Low pressure steam generated at 2.5 bar

In Option 1, the LP steam from each Heat Re-claimer are supplied to a common header (ND1000), passing over the street dividing the power and the desalination yard and are connected to the LP steam downstream the TBT control valve of each MSF just up-stream the brine heater unit.

For option 2, the LP-Steam from each Heat Re-claimer unit are supplied to a common header (ND800), connected to the existing 2.5 bar manifold immediately downstream the HP-LP existing steam reducing stations.

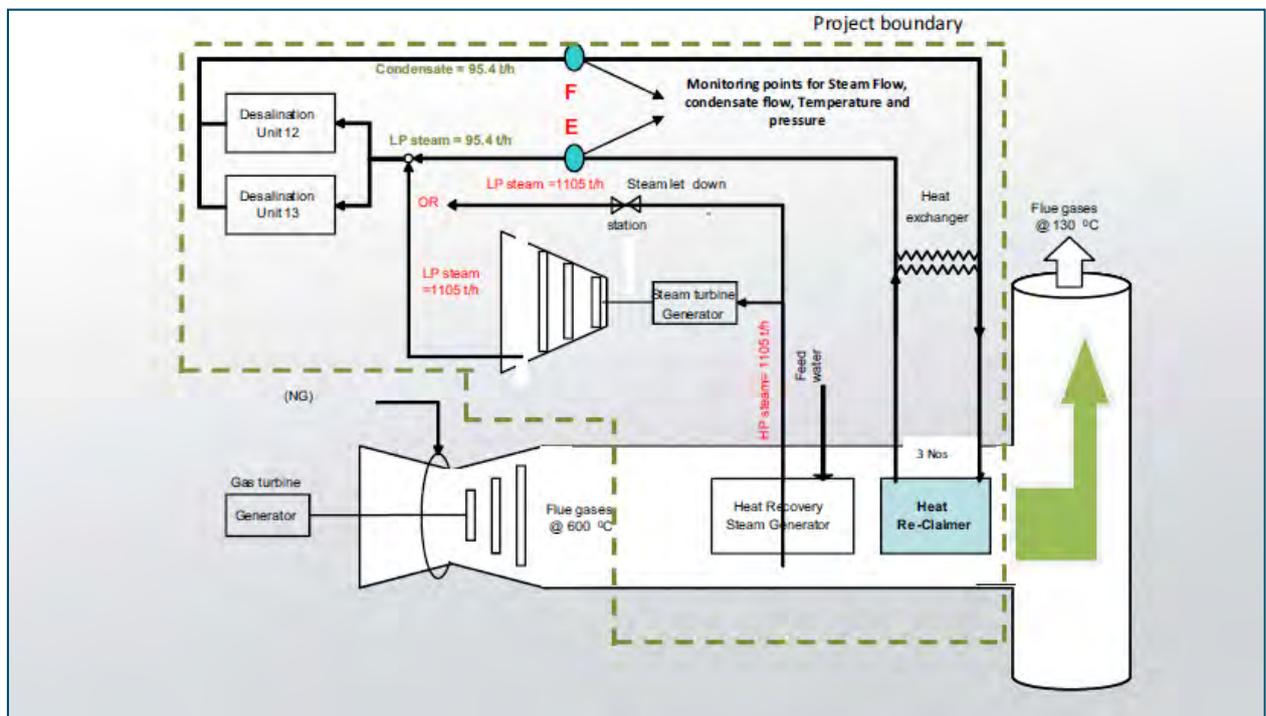
All the pressure parts of the evaporators and drum will be designed for 205°C at 16 bar g pressure. The safety valve at the drum operates at 11 bar g.

The existing condensate pumps are designed to collect condensate from the 5 brine heaters of the desalination units and supply the mass flow to a common header serving 2 nos. feed water tanks in the existing plant.

The condensate pipes are routed in parallel to the HP steam pipe at the top of the column. The condensate return manifold is arranged by branching a dedicated return line from the common brine heater condensate return to the deaerator that is connected to each of the Heat Re-claimer unit individually.

At each Heat Re-claimer, the condensate line is equipped with measuring orifices, a control valve and an electrically actuated shut off valve. The condensate pipe to the drum and bottom header after the electrical stop valve, will be designed for 205°C and 16 barg. The condensate pipes will be hydro pressure tested to 24 barg with X-ray of 5% of welded joints.

The introduction of the Heat Re-claimers increase the overall plant efficiency. The Heat Re-claimers recover the heat energy of the fuel gases discharge, reducing the amount of heat released to the atmosphere thereby helping the environment. The recovery of heat energy of the fuel gas improves the overall plant heat rate resulting in a decrease in the fuel consumption and the corresponding CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>x</sub>.



## HEAT RE-CLAIMER INSTALLATION

The details of the project about the LP steam pressure, connection points and other parameters will be decided during the detail engineering of the project.

### Project Cost:

The project cost is estimated to be US\$ 17 Million for installing heat re-claimers to all 4 \* 9E HRSG's.

### Reimbursement Mechanism:

The project cost is included in the C&R Project revised financial model with an adjustment in the PWPA tariff rates based on A&R PWPA Appendix G calculations.

The Heat Re-claimer cost will be funded with ESC cash flow as below (based on the costing and cash flows in the revised financial model approved by the shareholders).

1 AUG 2017 – 31 JAN 2018	1 FEB 2018 – 31 JUL 2018	1 AUG 2018 – 31 JAN 2019	1 FEB 2019 – 31 JUL 2019	1 AUG 2019 – 31 JAN 2020	TOTAL
AED11,756,174	AED20,290,286	AED4,179,973	AED13,933,244	AED12,539,919	AED62,699,596
USD3,201,206	USD5,525,045	USD1,138,207	USD3,794,022	USD3,414,620	USD17,073,100

### Impact on project:

Assuming Gas Turbine is operating at Base load in combined cycle with HRSG duct burner firing @10,000 m<sup>3</sup>/hr, it would produce 25 T/hr LP steam at 1.5 barg.

With 4 HRSG's running at base load, total 100 T/hr LP steam can be produce at 1.5 barg.

Additional LP steam of 100 T/hr would result in Gas Fuel savings of 6640 m<sup>3</sup>/hr.

A total reduction in the fuel consumption of approx. 3.0 % at 760 MW power and 130 MIGD water and gas flow 228,600 Sm<sup>3</sup>/hr.

In addition to heat rate improvement there is additional benefit of Emission reduction by firing less natural gas and results in discharging less pollutant (CO, CO<sub>2</sub>, NO<sub>x</sub> etc.,) to environment.

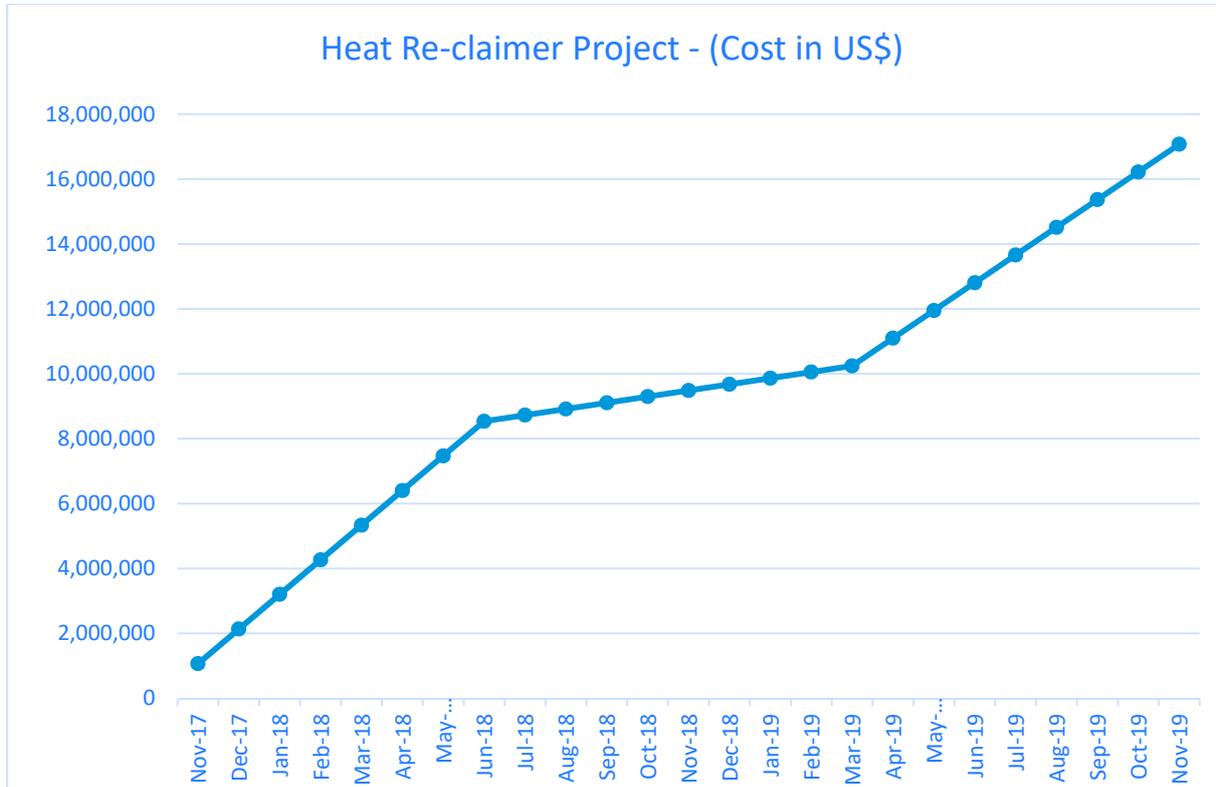
### Fuel saving benefit to procurer:

CALCULATION FOR GAS SAVING WITH HEAT RECLAIMED							
Case	Gas Saving / Hour - Sm <sup>3</sup>	Period - days	Total Fuel Gas saved for the period - Sm <sup>3</sup>	Calorific Value assumed - MJ/ Sm <sup>3</sup>	Total Fuel Gas saved in MMBTU for the period	Gas Price - AED / MMBTU	Total Saving - Million AED
2 * 9E Units in service	3,320	245	19,521,600	32.8	606,927	13.3	8.07213534
3 * 9E units in service	4,980	120	14,342,400	32.8	445,906	13.3	5.93054841
Total		365	33,864,000		1,052,833		<b>14.0026838</b>
<b>Approximate Fuel saving to the tune of AED 14 million per year</b>							

**Project Timing:**

The project duration is estimated to be 26 months. It includes 8 months' time for RFP, Bidding, bid evaluation and award. Actual execution time would be approx. 18 months from the award date. Detailed project schedule will be finalized after the award of the project.

**Project S-Curve:**



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