

OPERATIONAL REVIEW

OIL & GAS

TAQA's Oil & Gas business delivered strong operational performance and higher production volumes despite the COVID-related logistical disruptions and movement restrictions. This enabled the business to take full advantage of significantly higher commodity prices.

With assets in Canada, Iraq, the Netherlands and the United Kingdom, TAQA's global oil and gas activities delivered strong gains in 2021. Global production reached 122,400 barrels of oil equivalent (boepd) in 2021, representing a rise of 4% compared to 2020.

Financial performance

Our Oil & Gas business generated AED 2.2 billion in net income, accounting for 37% of Group net income for 2021 and generated revenues of AED 7.4 billion – a 78% increase year-on-year. The ability to improve and optimize production output and asset reliability in all countries during high commodity price has been instrumental in delivering the 2021 results.

Oil & Gas highlights (AED million)

Revenues

2021	7,425
2020	4,178

Adjusted EBITDA

2021	4,173
2020	733

Net Income

2021	2,213
2020	-1,523

CAPEX

2021	1,010
2020	693

2030 Strategy Oil & Gas Targets

Focus on commercially viable opportunities to reduce our exposure to the Oil & Gas business

Continue to pursue top quartile operations performance

Highly selective capital allocation focusing on portfolio rationalization for value

TAQA North delivered the most active drilling and completion program seen in several years, with an extremely efficient program delivery in term of costs, with savings versus budget and production volumes in line with or above our expectations.

Canada

Overview

TAQA North's operations, spanning Western Canada, were optimized and enhanced in order to benefit from the higher commodity prices, optimizing service sector costs and ad hoc capital allocation to drilling programs from TAQA Group to deliver growth and an overall solid performance in 2021.

Performance

TAQA North delivered the most active drilling and completion program seen in several years, with an extremely efficient program delivery in term of costs, with savings versus budget and production volumes in line with or above our expectations. Production levels of 72.3 mboepd were like 2020 despite the disposal of several non-core assets. Asset availability remained steady at 96.9%.

Cost and efficiency optimization initiatives undertaken in 2021 included work at the Crossfield Acid Gas Injection plant to reinject waste gases underground, improving efficiency, lowering associated emissions (~47,000 tons CO₂ emissions per year) and reducing operating costs at the plant. TAQA North also adopted and successfully embedded the new procurement matrix to streamline activities and achieve further cost optimization.

The Canadian non-core disposition saw the sale of 5,946 gross wellbores (1,285 net wellbores) during 2021. The project represents an important component of TAQA North's strategy to optimize our asset portfolio, increase profitability and allow greater focus on its core asset base.

Going forward, TAQA North intends to increasingly leverage industrial automation and industrial internet of things (IIOT) sensors/monitors to:

- Reduce physical presence at hazardous locations utilizing automation remotely
- Provide early detection and correction of issues
- Improve asset performance and optimize asset lifecycles through predictive maintenance

These methods will also help improve data analytics and prediction, as well as improve mobile data access to facilitate a mobile workforce with access to location-relevant and real-time information.

In 2021, TAQA North mitigated its exposure to market price risk by selling approximately 50% of its natural gas under fixed price physical contracts as well as up to 6,000 boepd of its oil and condensate volumes.

OPERATIONAL REVIEW

OIL & GAS (continued)

Europe

Overview

TAQA Europe's portfolio of assets in the Netherlands and the United Kingdom performed well in 2021, both financially and operationally.

TAQA successfully completed the Brae operatorship transition, with increased operational uptime of assets, alongside one of the largest decommissioning projects in the UK North Sea to date. The removal of the topsides at Brae Bravo totaled more than 36,000 tons of associated materials with 95% being recycled.

This strong performance was achieved despite the continuing disruption caused by the global pandemic, which impacted the timing of some decommissioning activities during the year. Decommissioning activity continues with the commencement of various plug and abandonment (P&A) campaigns at Tern, North Cormorant and East Brae in 2021.

In the Netherlands, compressor and drying unit issues in early 2021 adversely impacted the performance of the midstream operations at the TAQA-operated Gas Storage Bergermeer (GSB). A temporary solution was installed in December, and the commissioning of the new bypass is scheduled for January to help increase performance.

TAQA is exploring innovative projects in the Netherlands, including PosHydon – a pilot project for the world's first offshore green hydrogen plant at the Neptune Energy-operated Q13a-A platform. The pilot seeks to integrate offshore wind, gas and hydrogen, utilizing TAQA's P15 as an export route for the hydrogen produced (up to 400 kg per day) at the 1 MW electrolyzer.

Performance

Strong base management across the European portfolio in 2021 resulted in exceptional production and financial performance for the year at 41.3 mboepd compared to 34.8 mboepd in 2020 – representing a 19% increase year-on-year.

This was largely driven by better performance across the portfolio, as well as the impact of increased equity interests in certain assets, which have more than offset the expected natural decline.

Significant controllable cost reductions have also been achieved in 2021, including reductions in Brae area turnaround costs and savings across legacy subsea, maintenance, integrity and manpower categories. However, due to market conditions, there was significant pressure on the cost base, including adverse foreign exchange (FX) impacts, higher fuel and emissions costs.

The FX impacts seen in 2021 were partially mitigated by entering into fixed price sales contracts to lock in commodity sales prices in line with forward pricing and TAQA's successful GBP FX hedging program.

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Iraq

Overview

In the Kurdistan Region of Iraq, steady production was achieved throughout 2021 on the TAQA-operated Atrush Block, averaging 38.6 mbopd (gross).

Operational highlights for TAQA Atrush included the drilling and completion of the CK-17 production well and the recompletion of the CK-12 production well to add more than 4.5 mbopd of production.

Performance

TAQA Atrush delivered a strong financial performance in 2021, meeting all operational targets in line with the budget.

Production for 2021 was 38.6 mbopd (gross) and 8.8 mbopd (TAQA net entitlement), compared to 45.1 mbopd and 10.3 mbopd, respectively, in 2020. This reflected a natural decline, partially offset by incremental volumes from CK-17, the development well drilled in the year.

TAQA Atrush delivered strong financial performance in 2021, meeting all operational targets in line with the budget.

