

# OPERATING ENVIRONMENT

## TAQA realized oil prices:

2021: US\$ 64.23/bbl  
2020: US\$ 35.74/bbl

## TAQA realized gas prices:

2021: US\$ 4.78/mmbtu  
2020: US\$ 2.08/mmbtu

2021 saw improved market conditions against a backdrop of easing COVID-19 restrictions, giving rise to economic recovery, a global rise in power and water demand and rising commodity prices, including oil and gas prices.

TAQA's power and water utilities businesses are underpinned by a transparent regulatory framework and long-term offtake contracts, contributing, on average, more than 85% of the Group's total revenues and adjusted EBITDA. As a result, most of our operations are not exposed to market risks, including input costs and output volumes.

Our Oil & Gas segment made up the remainder of Group revenues and adjusted EBITDA, with upstream production split roughly 40% crude and 60% natural gas and natural gas liquids. This part of our business is exposed to commodity price fluctuations, in either direction, and benefited significantly for oil and gas price recovery in 2021.

TAQA's oil production is largely linked to the global benchmark, Brent, and realized output prices in 2021 for both crude and natural gas averaged their highest level in more than five years. Global oil demand outpaced production in 2021, mostly attributable to OPEC+ crude oil production cuts, driving higher prices.

Natural gas prices fluctuated throughout the year, with near-record spot price highs in early-2021 and peaking in October. Close to 90% of TAQA's natural gas is produced in Western Canada and is sold on the local market and based on AECO prices. TAQA realized natural gas output prices were almost 60% higher on average in 2021 compared to 2020.

Two additional trends that impact our business is a greater global focus on climate change and growth in clean energy investment. Both reinforce the UAE's own decarbonization ambitions and is an opportunity for TAQA. Our 2030 strategy seeks to position TAQA as the low carbon power and water champion for the UAE and beyond, aligning us with UAE national ambitions to achieve net zero by 2050.

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# FINANCIAL REVIEW

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TAQA's 2021 financial performance reflected the focus, strength and ambition of a robust organization with attractive and sustainable returns. We continue to deliver on our promise to shareholders, with total cash dividends of AED 3.1 billion proposed for 2021, in line with our disclosed dividend policy.

Overall positive operational performance across our three business lines enabled the deleveraging of our balance sheet on the back of strong cash flows. Net debt fell to 2.9 times from 4.2 times adjusted EBITDA on the back of both debt reduction and improved adjusted EBITDA mainly due to higher commodity prices.

In 2021, TAQA's revenues increased 5%, primarily driven by higher commodity prices within the Oil & Gas segment. Adjusted EBITDA was up 23%, mainly reflecting higher revenues and improved income from associates, partially offset by higher expenses.

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Capital expenditure rose by 26% in 2021, driven by investment in our Transmission & Distribution business, while gross debt dropped to AED 65 billion, down from AED 76 billion, reflecting scheduled project debt repayment and an AED 7.5 billion reduction in corporate debt.

## **Transmission & Distribution**

The Transmission & Distribution business had steady performance throughout 2021, with revenues increasing by 5% and net income by nearly 13%.

These figures were mainly due to higher pass-through bulk supply tariffs in addition to regulatory approval of revenues associated with battery storage projects previously carried out.

## **Generation**

Revenues for the Generation segment were flat and net income was 28% lower compared to 2020, the latter reflecting one-off, non-recurring items that increased net income in 2020 and reduced it in 2021.

## **Oil & Gas**

Oil & Gas revenues increased 78%, largely reflecting the increase in TAQA's realized oil and gas commodity prices and increased production levels. Net income for the segment reached AED 2.2 billion for the year as a result versus a prior-year loss on impairment charges taken at the onset of the COVID-19 pandemic and depressed commodity prices that resulted.

# FINANCIAL PERFORMANCE

## 2021 Performance

TAQA Group	REVENUES (AED million)	ADJUSTED EBITDA (AED million)	NET INCOME (TAQA SHARE) (AED million)
2021	45,690	19,740	5,960
2020	41,151	16,004	2,788

Transmission & Distribution	REGULATED ASSET BASE (AED million)	REVENUES (AED million)	ADJUSTED EBITDA (AED million)
2021	77,389	25,928	8,362
2020	80,135	24,659	7,863

Generation	GLOBAL TECHNICAL AVAILABILITY	REVENUES (AED million)	ADJUSTED EBITDA (AED million)
2021	92.3%	12,337	7,686
2020	93.9%	12,314	7,669

Oil & Gas	PRODUCTION (mboepd)	REVENUES (AED million)	ADJUSTED EBITDA (AED million)
2021	122.4	7,425	4,173
2020	118.0	4,178	733