Q3 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended
30 September 2022

ABU DHABI NATIONAL ENERGY COMPANY PJSC (TAQA) MANAGEMENT'S DISCUSSION AND ANALYSIS

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This document should be read in conjunction with TAQA's unaudited consolidated financial statements for the period ended 30 September 2022. Within the MD&A we use the terms "the Group", "we", and "our" to refer to TAQA.

1. Health, Safety and Environment (HSE)

		Period ended 30 September							
		T&D		Generation (1)		Oil & Gas		Group Total	
HSE Overview		**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Fatalities	*Number*	-	1	-	-	-	-	**-**	1
Recorded injury rate (RIR)	*(incident/1 million hrs)*	**0.23**	0.08	**0.00**	0.55(2)	**2.14**	2.26(3)	**0.63**	0.61
Lost time injury (LTI)	*Number*	**3**	-	**-**	2	**10**	5	**13**	7
Reportable spills	*Number*	**-**	-	**1**	2	**19**	25	**20**	27

1) Refers to TAQA operated assets only
2) Q3-2021 Manhours were revised
3) O&G Q3-2021 RIR was updated based on revised manhours calculation

"Safe" is our first value. We put safety above all else and HSE is a fundamental part of TAQA's business. A strict set of HSE rules, guidelines, and reporting tools to ensure a high level of professionalism and adherence to regulations is enforced wherever we operate. All members of our workforce are empowered with the responsibility and authority to stop unsafe work.

The Group RIR of 0.63 for Q3 2022 is higher than the Group RIR of 0.61 for the same period in 2021, and whilst the RIR has increased slightly the number of LTIs in 2022 increased from 7 in Q3 2021 to 13 in Q3 2022. We continue to emphasize and implement HSE improvement programs in our operating companies with focus on improved reporting and rigorous categorization of all incidents.

20 spills were reported in Q3 2022 compared to 27 in Q3 2021, with the total volume released being 80% less than the same period in 2021.

Managing HSE performance requires constant vigilance, targeted interventions, and continuous safety and environmental improvement programs. Ongoing measures include behavioral safety and leadership programs, further developing our HSE management system, contractor management enhancements, the delivery of focused safety audits, increased reporting of unsafe acts, conditions and near misses, and the sharing of learnings from incidents.

Through improved investigations, learning from incidents and addressing emerging trends and insights, we strive for continuous improvement in safety within our operations in line with TAQA's HSE management system. We continue to focus our efforts on eliminating injuries and fatalities in our activities and seeking to increase our influence on our partners where TAQA is not the operator, through shared workshops and HSE reviews.

2. Summary of Results

(AED million, except where indicated)		Three months ended 30-Sep 2022	30-Sep 2021	Nine months ended 30-Sep 2022	30-Sep 2021
Commercial Availability – Generation[1]	%	**98.5%**	96.7%	**97.8%**	97.3%
Oil & Gas Production[2]	mboe/d	**121.1**	116.3	**123.1**	121.5
T&D Regulated Asset Value (RAV)		**-**	-	**75,553**	77,389[5]
Gross Revenues		**13,697**	11,980[6]	**38,667**	34,041[6]
Adjusted EBITDA[3]		**5,549**	4,470[6]	**16,471**	14,266[6]
Net Income[4]		**2,236**	1,403	**6,519**	4,259

1) *Represents weighted average for all power producing assets based on plant capacity.*
2) *Includes working interest production from North America and Europe, and entitlement volumes from Iraq.*
3) *Adjusted EBITDA is defined as IFRS earnings before finance costs, net foreign exchange gain/loss, interest income, income tax, depreciation, depletion and amortization and other income.*
4) *Net income above is share attributable to common shareholders of TAQA.*
5) *RAV figures as at 31 December 2021*
6) *Revenues/EBITDA for comparative balances were restated due to classification of Netherlands upstream businesses as held for sale and a discontinued operation as at Q3 2022.*

Financial highlights:

- Group revenues were AED 38.7 billion, 14% higher than the prior-year period, primarily due to higher commodity prices within the Oil & Gas segment.
- Adjusted EBITDA was AED 16.5 billion, up 15%, benefiting from strong revenue growth and slight cost improvement.
- Net income (TAQA-share) was AED 6.5 billion, 53% higher than the prior-year period. In addition to strong operational performance, the bottom line benefitted from a return to normalised depreciation expense in 2022 within the Oil & Gas segment.
- Capital expenditure was AED 2.5 billion, 28% lower than the prior-year period, with the Transmission & Distribution segment leading the reduced spending.
- Free cash flow was AED 12.8 billion, 13% higher than the same period last year, supported by a combination of higher cash generation and lower capex.
- As at 30 September, the Group had AED 24.7 billion in cash and cash equivalents and undrawn corporate credit facilities.

Operational highlights:

- Transmission network availability for power and water was 98.6%, compared to 98.3% a slight improvement on the prior-year period.
- Generation global commercial availability was 97.8%, a slight improvement over 97.3 % for the same period last year.
- Oil & Gas average production volumes were 123.1 thousand barrels of oil equivalent per day (boepd), largely in line with the same period last year.

3. Results of Operations by Business Line

Group Consolidated Income Statement (AED millions)	T&D 2022	T&D 2021	Generation 2022	Generation 2021	Oil & Gas 2022	Oil & Gas 2021[1]	Corp. & Elimination 2022	Corp. & Elimination 2021	Group Total 2022	Group Total 2021[1]
	Period ended 30 September									
Total revenues	**20,160**	19,952	**10,569**	9,095	**7,938**	4,994	**-**	-	**38,667**	34,041
Operating expenses	**(13,460)**	(12,875)	**(4,779)**	(3,393)	**(2,956)**	(2,312)	**26**	26	**(21,169)**	(18,554)
G&A expenses	**(811)**	(770)	**(182)**	(215)	**(141)**	(145)	**(291)**	(296)	**(1,425)**	(1,426)
Share of results of associates & joint ventures	**-**	-	**397**	212	**-**	-	**1**	(7)	**398**	205
Adjusted EBITDA	**5,889**	6,307	**6,005**	5,699	**4,841**	2,537	**(264)**	(277)	**16,471**	14,266
Depreciation, depletion and amortization	**(3,090)**	(3,074)	**(3,468)**	(3,536)	**(715)**	(1,647)	**22**	28	**(7,251)**	(8,229)
Finance costs	**(2)**	(3)	**(1,327)**	(1,367)	**(321)**	(302)	**(545)**	(625)	**(2,195)**	(2,297)
Other gains / (losses)	**149**	149	**(191)**	21	**29**	778	**83**	83	**70**	1,031
Tax (expense) / credit	**-**	-	**(268)**	(184)	**(638)**	(398)	**46**	16	**(860)**	(566)
Net profit (loss)	**2,946**	3,379	**751**	633	**3,196**	968	**(658)**	(775)	**6,235**	4,205
Profit from discontinued operations	-	-	-	-	343	89	-	-	**343**	89
Profit for the period	**2,946**	3,379	**751**	633	**3,539**	1,057	**(658)**	(775)	**6,578**	4,294
Non-controlling interest	**-**	-	**59**	35	**-**	-	**-**	-	**59**	35
Net profit (TAQA share)	**2,946**	3,379	**692**	598	**3,539**	1,057	**(658)**	(775)	**6,519**	4,259

1) *2021 comparatives were restated due to classification of certain upstream business units as held for sale and a discontinued operation as at Q3 2022.*

Group Consolidated Balance Sheet (AED millions)	T&D 30-Sep 2022	T&D 31-Dec 2021	Generation 30-Sep 2022	Generation 31-Dec 2021	Oil & Gas 30-Sep 2022	Oil & Gas 31-Dec 2021	Corp. & Elimination 30-Sep 2022	Corp. & Elimination 31-Dec 2021	Group Total 30-Sep 2022	Group Total 31-Dec 2021
	As at									
Property, plant & equipment	**81,494**	83,335	**31,314**	33,691	**5,226**	5,468	**5**	(97)	**118,039**	122,397
Operating financial assets	**-**	-	**9,318**	10,322	**-**	-	**-**	-	**9,318**	10,322
Investment in and loans to associates & joint ventures	**797**	-	**1,630**	1,279	**-**	-	**405**	404	**2,832**	1,683
Intangible assets	**4,755**	4,755	**12,275**	13,186	**61**	33	**-**	-	**17,091**	17,974
Deferred tax assets	**-**	-	**63**	63	**5,856**	5,535	**1**	-	**5,920**	5,598
Asset classified as held for sale	**-**	-	**-**	-	**200**	-	**-**	-	**200**	-
Other assets	**5,509**	4,667	**9,970**	9,160	**2,634**	2,471	**8,561**	5,925	**26,674**	22,223
Total Assets	**92,555**	92,757	**64,570**	67,701	**13,977**	13,507	**8,972**	6,232	**180,074**	180,197
Liabilities associated with assets held for sale	-	-	-	-	808	-	-	-	808	-
Total Liabilities	**15,426**	14,538	**42,580**	43,863	**17,655**	16,981	**27,716**	31,613	**103,377**	106,995
Total Equity	**77,129**	78,219	**21,990**	23,838	**(3,678)**	(3,474)	**(18,744)**	(25,381)	**76,697**	73,202

Transmission & Distribution Business

The Transmission & Distribution (T&D) business contributed net income for the nine month period of AED 3.0 billion, a decrease of AED 0.4 billion when compared to the comparative period . The reduction was mainly due to recognition of one-off revenues during 2021.

Nine month period on period revenues increased by AED 0.2 billion to AED 20.1 billion mainly due to higher pass-through bulk supply tariffs (BST) of AED 0.6 billion, which was partially offset by AED 0.3 billion reduction in revenue due to a one-off recognition of projects in 2021, and AED 0.1 billion lower transmission use of system charges (TUoS).

Higher BST pass-through cost was also the main driver of the AED 0.6 billion increase in operating costs to AED 13.4 billion for nine months ending 30 September 2022.

Generation Business

Generation business contributed a net income of AED 0.7 billion, an increase of AED 0.1 billion when compared to the Q3 year to date comparatives of the prior year.

Generation revenues were AED 1.5 billion higher than last year, totaling over AED 10.6 billion. The increase is mainly due to higher pass-through coal fuel revenues of AED 1.4 billion in Morocco, which is also reflected as a fuel cost in operating expenses. Revenues from our domestic fleet decreased by almost AED 0.5 billion, mostly due the decommissioning of the Taweelah A2 plant which contributed AED 0.3 billion in 2021, as well as lower technical availability compared to prior period in other key assets. The decrease in domestic revenues however was mostly offset by increase in revenues of AED 0.5 billion in our North American asset due to higher dispatch and more favorable prices.

Operating expenses within Generation increased by AED 1.4 billion to AED 4.8 billion, mainly driven by higher fuel pass-through costs of AED 1.4 billion in our Moroccan business mentioned above.

The Group's share of results of associates and joint ventures was AED 0.4 billion, an improvement of almost AED 0.2 billion when compared to the prior period. This was mainly driven by the Group's investment in Sohar Aluminium and its improved results on the back of higher aluminum prices.

Other gains/(losses) mainly relate to foreign exchange losses of AED 0.2 billion relating to Moroccan asset due to the weakening of Euro and Moroccan Dirham versus USD.

The increase in tax charge mainly reflected increased profitability in Morocco.

Oil & Gas Business

The Oil & Gas business generated net income of AED 3.5 billion compared to AED 1.1 billion in the prior period. This improvement of AED 2.4 billion in net income was largely due to the improved commodity price environment, driving revenues to AED 7.9 billion which was an increase of AED 2.9 billion versus 2021. Net income includes profit from discontinued operations of AED 0.3 billion that relates to Netherlands upstream oil and gas business following the Group entering into definitive agreements to sell 100% of its ownership.

The Group's average realised oil price rose significantly to $89.33/bbl in 2022 compared to $61.67/bbl in 2021. Similarly, average realised gas prices increased to $8.60/mmbtu, from $3.66/mmbtu in 2021. Average production as of end of September rose to 123.1 mboe/d, showing improvements versus 2021.

Operating costs increased by AED 0.6 billion mainly driven by higher fuel and emissions trading costs.

Depreciation expense declined by AED 0.9 billion compared to the prior period, reflecting a one-off asset retirement obligation revision in our European assets in 2021 due to a partner default. This was partially offset by an AED 0.6 billion related tax relief on the additional abandonment liability, recorded as other gain / (losses) in 2021.

Tax expense for the nine month period increased by AED 0.2 billion in line with higher taxable profits, offset partially by deferred tax credits.

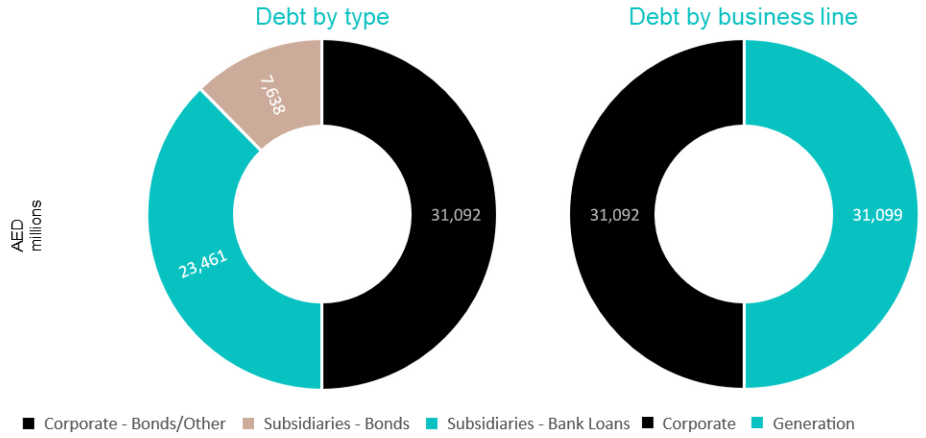
4. Capital Structure and Liquidity

Group Consolidated Position (AED million)	As at 30-Sep 2022	31-Dec 2021
Total assets	**180,074**	180,197
Total equity	**76,697**	73,202
Total debt	**62,191**	64,965
Net debt-to-capital ratio [1]	**40%**	44%
Unused portion of credit facilities	**13,582**	13,486
Net cash and cash equivalents	**11,099**	8,422
Total Available Liquidity	**24,681**	21,908

1) 'Net debt' divided by 'Total equity' plus 'Net debt' where 'Net debt' is 'Total debt' less 'Net cash and cash equivalents'

Capital Structure

TAQA's capital structure is comprised of 40% debt based on the balance sheet values as at 30 September 2022 and includes fair value adjustments.



The Group's external sources of funding include corporate bonds and when drawn down, the Group's revolving credit facility (RCF). These funds have historically been used to fund investment, acquisition and growth within the group. The Generation subsidiaries are generally funded by project debt, either in the form of limited or non-recourse bank loans or project bonds.

The Group continues to monitor the total debt position and refinancing options available to ensure the debt mix and cost of debt is at an optimal level. Please refer to the '*Maturity Profile'* section below for updates on recent debt issuances.

Interest rates for the Group's project debt, bonds and loans are largely fixed, either contractually or through interest rate hedging arrangements. The main exception is TAQA's RCF, which attracts floating market rates and therefore is exposed to term Secured Overnight Financing Rate (SOFR) borrowing rates. During 2021, TAQA settled the RCF facility in full. As our medium and long-term bonds and loans mature, we may be required to refinance the debt at market rates or utilise other available liquidity. Accordingly, TAQA is partially exposed to interest rate risk in both the medium and long term.

At 30 September 2022, after taking into account the effect of interest rate swaps, approximately 98% the Group's borrowings are at a fixed rate of interest (December 2021: 95%).

The Group's overall cost of debt averaged at 4.58% during the nine months ended 30 September 2022.

Liquidity

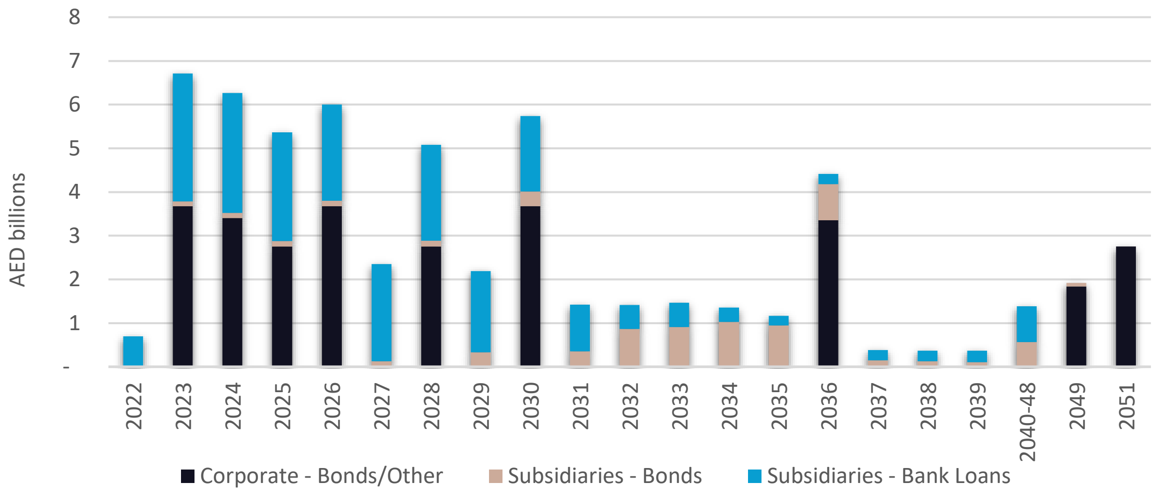
The Group's total available liquidity at 30 September 2022 was AED 24.7 billion, an increase of AED 2.8 billion on the position at the end of 2021. Total available liquidity was made up of AED 13.6 billion of available credit facilities and AED 11.1 billion of net cash and cash equivalents.

Available credit facilities mainly comprise the Group's AED 12.9 billion (US $3.5 billion) multicurrency revolving credit facility (RCF) with a syndicate of 20 banks. The RCF remains undrawn as at 30 September 2022.

As of 30 September 2022, 11% of the Group's total debt is classified as current (31 December 2021: 5%), based on the carrying value of borrowings.

Maturity Profile

The Group's financial liabilities repayment schedule as at 30 September 2022 based on contractual undiscounted payments is as follows:



As of 30 September 2022, the Group total debt was AED 62.2 billion (31 December 2021: AED 65.0 billion), a reduction of AED 2.8 billion during the first nine months of the year.

Debt reduction of AED 2.8 billion included the Group's full repayment of its AED 0.6 billion Islamic loan, which matured in March 2022, plus an additional AED 1.7 billion of scheduled project debt repayments and AED 0.2 billion of forex revaluation in our Generation business, and AED 0.3 billion of recurring fair value amortization adjustment to corporate debt.

In the first quarter of 2022, the group raised its first green finance by successful pricing of green senior secured bonds for an aggregate principal amount of USD 700.8 million (AED 2.6 billion). The bond refinanced existing debt facilities of Sweihan PV Power Company.

In the third quarter of 2022, one of our domestic generation assets, Al Mirfa International Power & Water company (MIPCO), successfully refinanced its project debt of AED 4 billion with a syndicate of leading banks, extending its maturity to 2042.

Additionally in the third quarter, the Group refinanced its RCF of AED 12.9 billion (USD 3.5 billion), to extend the facility until 2027, transitioning from LIBOR to term SOFR and benefitting from very competitive and improved pricing.

5. Capital Expenditure

	Period ended 30 September				
(AED million)	T&D	Generation	O&G	Corporate	Group Total
2022	**1,655**	**149**	**686**	**8**	**2,498**
2021	2,565	175	708	-	3,448

Capital Expenditure refers to additions to Property, Plant and Equipment, excluding right of use assets.

The Group's total capital expenditure for the first nine months of 2022 was AED 2.5 billion, a 28% decrease versus the prior period.

Transmission & Distribution capital expenditure for the period was AED 1.7 billion, a 35% decrease versus the prior period mainly driven by increased in number of projects being settled in 2021 from prior periods, due to timing and phasing of project execution throughout the sector.

A small reduction in Generation capital expenditure in 2022 versus the prior year relates to planned major maintenance of the domestic UAE assets cycles, in line with established maintenance programs.

Oil & Gas capital expenditure was 3% lower than 2021. Higher spending in our North American and Iraq assets was offset by lower spending across our European assets, as the shift into decommissioning mode on certain late life assets continues successfully.

Jasim Husain Thabet
Chief Executive Officer & Managing Director

Stephen Ridlington
Chief Financial Officer

11 November 2022