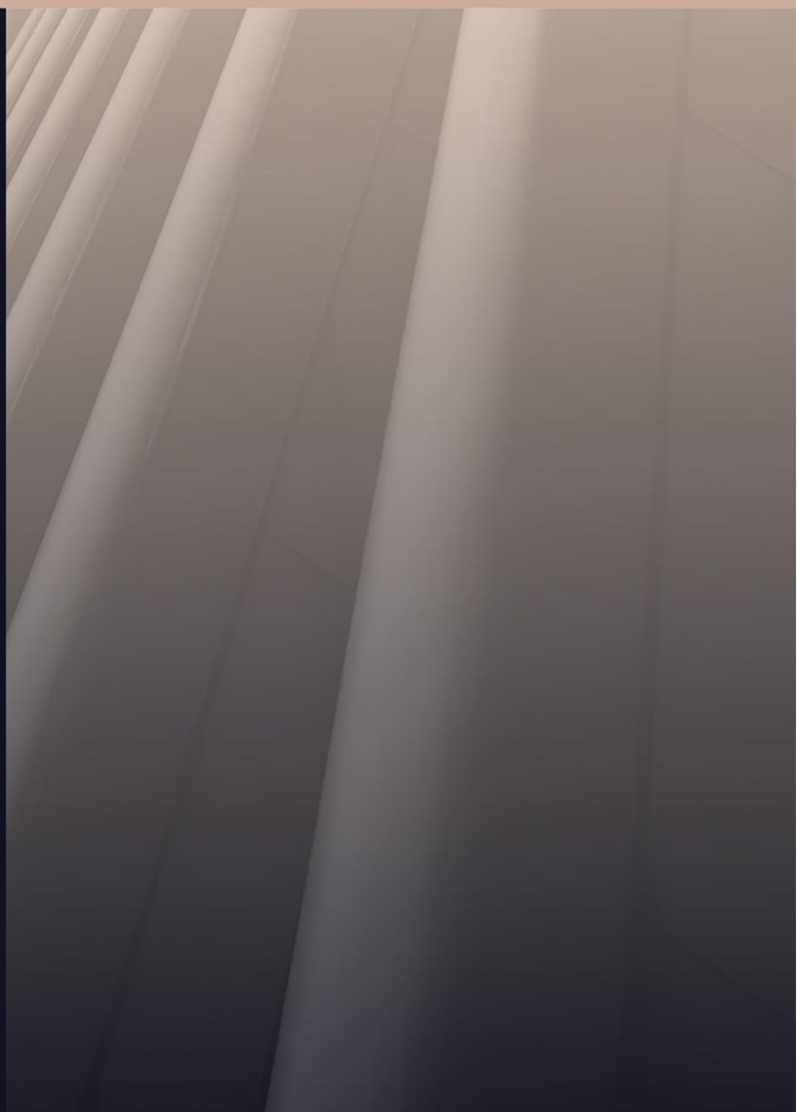
Q3 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended
30 September 2023



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

This document should be read in conjunction with TAQA's consolidated financial statements for the period ended 30 September 2023. 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 (3)		Group Total (3)	
HSE Overview		**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Fatalities	*Number*		-		-		-		-
Recordable injury rate (RIR)(2)	*incident/1 million hrs*	**0.17**	0.23	**0.27**	0.00	**1.57**	2.14	**0.48**	0.63
Lost time injury (LTI)	*Number*	**5**	3	**-**	-	**3**	10	**8**	13
Reportable spills	*Number*	**-**	-	**1**	1	**15**	20	**16**	21
Reportable spills	*Volume (litres)*	**-**	-	**100**	800	**17,840**	16,278	**17,940**	17,078

1) Refers to TAQA operated assets only.
2) RIR includes all recordable injuries (e.g., fatalities, lost time injury, restricted work injury and medical treatment injury)
3) Q3 2022 number of spills in O&G and Group was adjusted end of year to include one retracted spill.

"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 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.

Group RIR of 0.48 for Q3 2023 is lower than the Group RIR of 0.63 for the same period in 2022. The number of Recordable Injuries decreased from 24 to 20 and includes a decrease in LTIs from 13 to 8.

Of 20 recordable injuries reported year to date, 13 occurred in Oil & Gas, 5 occurred in T&D, 1 occurred in Generation and 1 occurred in the Corporate office. An external specialist safety review across Oil & Gas has been completed and corrective action plans developed. Work continues in T&D to embed enhancements from the ongoing safety transformation program, with increased focus on the causes of significant T&D incidents by an Incident Review Panel. Further improvements have been made through the deployment of an automated HSE reporting system to encourage HSE reporting and engagement of key contractors through various HSE focused forums. Leadership visibility has been a key driver of positive changes in safety culture and efforts continue with frequent senior leadership HSE visits to T&D sites.

All operations continue to deliver on annual HSE improvement plans with specific focus on contractor management, leadership engagement, management of short service workers, HSE culture, and control of work.

Other corporate initiatives include behavioral based safety and leadership programs, introduction of new global standards within the HSE management system, increased focus on reporting of safety observations, enhanced quality of HSE incident investigations and effective learnings, and strengthening of TAQA's process safety framework.

16 uncontained spills have been reported up to Q3 2023, which is lower than Q3 2022. Total volume released has increased slightly to 17,940 litres (Q3 2023) versus 17,078 litres (Q3 2022), with a 5,000-litre crude oil spill reported by Canada in Q2 2023 largely accounting for the increase.

2. Summary of Results

(AED million, except where indicated)		Three months ended 30-Sep 2023	30-Sep 2022	Nine months ended 30-Sep 2023	30-Sep 2022
Transmission network availability	%	**98.7**	98.8	**98.4**	98.6
T&D Regulated Asset Value (RAV)		**-**	-	**76,900**	75,553
Commercial Availability – Generation [1]	%	**95.9**	98.5	**97.9**	97.8
Oil & Gas Production [2]	mboe/d	**97.9**	121.1	**110.5**	123.1
Gross Revenues		**12,620**	13,998	**39,543**	39,424
Adjusted EBITDA [3]		**4,753**	5,811	**15,271**	17,137
Net Income [4]		**1,560**	2,236	**15,055**	6,519

1) Represents weighted average for all power producing assets based on plant capacity.
2) Includes working interest production from North America, UK and Netherlands, 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 gains / (losses).
4) Net income above is share attributable to common shareholders of TAQA.

Operational highlights – Q3 2023

- Generation global commercial availability was 97.9%, compared to 97.8%, marginally higher versus the prior-year period.
- Transmission network availability for power and water was 98.4%, compared to 98.6%, marginally lower versus the prior-year period.
- Oil & Gas average production volumes decreased to 110.5 thousand barrels of oil equivalent per day (boepd), a decrease of 10% compared to 2022. This decrease is mainly due to the shutdown of operations in Iraq and the natural decline in production of late-life UK assets.
- TAQA continued to receive recognition for its progress on ESG initiatives, with multiple agencies improving the company's ESG rating.

Financial highlights – Q3 2023

- Group revenues were AED 39.5 billion, unchanged versus the prior-year period as higher pass-through bulk supply tariffs and transmission use of system within the Transmission and Distribution segment offset a decline in Oil & Gas revenue.
- Adjusted EBITDA was AED 15.3 billion, down 11%. This fall was led by a decline in contribution from the Oil & Gas segment on the back of lower realized oil and gas prices and reduced production.
- Net income (TAQA share) was AED 15.0 billion, an increase of AED 8.5 billion, mainly driven by a one-off gain of AED 10.8 billion recognised on the acquisition of a 5% shareholding in ADNOC Gas, in part offset by a one-off AED 1.2 billion deferred tax liability associated with the introduction of UAE corporate income tax from 1 January 2024. Net income excluding these one-off items was AED 5.4 billion, 17% lower than the prior period, mainly due to lower contribution from the Oil & Gas segment.
- Capital expenditure was AED 3.3 billion, 34% higher than the prior year as project execution picked up pace in the Transmission & Distribution segment.
- Free cash flow generation was AED 10.2 billion, 20% lower compared to the previous year. The decline was mainly driven by lower contribution from the Oil & Gas segment.
- Gross debt was AED 61.7 billion, unchanged on the amount outstanding at the end of 2022.

3. Results of Operations by Business Line

Group Consolidated Income Statement	*T&D*		*Generation*		*Oil & Gas* [1]		*Corp. & Elimination*		*Group Total* [1]	
	Period ended 30 September									
(AED millions)	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Total revenues	**23,266**	20,160	**9,650**	10,569	**6,627**	8,695	**-**	-	**39,543**	39,424
Operating expenses	**(15,858)**	(13,460)	**(3,918)**	(4,779)	**(3,065)**	(3,046)	**20**	26	**(22,821)**	(21,259)
G&A expenses	**(926)**	(811)	**(201)**	(182)	**(155)**	(142)	**(326)**	(291)	**(1,608)**	(1,426)
Share of results of associates & joint ventures	**-**	-	**149**	397	**-**	-	**8**	1	**157**	398
Adjusted EBITDA	**6,482**	5,889	**5,680**	6,005	**3,407**	5,507	**(298)**	(264)	**15,271**	17,137
Depreciation, depletion, and amortization (DD&A)	**(2,944)**	(3,090)	**(3,370)**	(3,468)	**(683)**	(720)	**21**	22	**(6,976)**	(7,256)
Finance costs	**(2)**	(2)	**(1,219)**	(1,327)	**(321)**	(335)	**(629)**	(545)	**(2,171)**	(2,209)
Other gains / (losses)	**232**	149	**331**	(191)	**277**	40	**10,599**	83	**11,439**	81
Tax (expense) / credit	**(1,030)**	-	**(338)**	(268)	**(1,261)**	(953)	**256**	46	**(2,373)**	(1,175)
Net profit (loss)	**2,738**	2,946	**1,084**	751	**1,419**	3,539	**9,949**	(658)	**15,190**	6,578
Non-controlling interest	**-**	-	**(135)**	(59)	**-**	-	**-**	-	**(135)**	(59)
Net profit (TAQA share)	**2,738**	**2,946**	**949**	**692**	**1,419**	**3,539**	**9,949**	**(658)**	**15,055**	**6,519**

Group Consolidated Balance Sheet	*T&D*		*Generation*		*Oil & Gas*		*Corp. & Elimination*		*Group Total*	
	As at									
	30-Sep	31-Dec	**30-Sep**	31-Dec	**30-Sep**	31-Dec	**30-Sep**	31-Dec	**30-Sep**	31-Dec
(AED millions)	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Property, plant & equipment	**82,330**	82,147	**28,246**	30,508	**5,033**	4,811	**(6)**	4	**115,604**	117,470
Operating financial assets	**-**	-	**8,759**	9,170	**-**	-	**-**	-	**8,758**	9,170
Investment in and loans to associates & joint ventures	**797**	797	**6,310**	5,366	**-**	-	**301**	352	**7,408**	6,515
Intangible assets	**4,755**	4,755	**11,001**	11,927	**82**	26	**-**	-	**15,838**	16,708
Financial assets at fair value through other comprehensive income	**-**	-	**-**	-	**-**	-	**13,355**	-	**13,355**	-
Deferred tax assets	**-**	63	**63**	-	**6,217**	6,517	**96**	98	**6,376**	6,678
Other assets	**5,780**	4,851	**9,124**	9,959	**2,269**	2,350	**10,500**	7,573	**27,634**	24,733
Assets classified as held for sale	**-**	-	**-**	-	**-**	234	**-**	-	**-**	234
Total Assets	**93,662**	92,613	**63,503**	66,930	**13,601**	13,938	**24,246**	8,027	**195,012**	181,508
Liabilities directly associated with assets classified as held for sale	**-**	-	**-**	-	**-**	818	**-**	-	**-**	818
Total Liabilities	**19,651**	17,114	**36,383**	42,647	**16,600**	16,723	**32,159**	27,283	**104,793**	103,767
Total Equity	**74,011**	75,499	**27,120**	24,283	**(2,999)**	(2,785)	**(7,913)**	(19,256)	**90,219**	77,741

1) *Presentation of comparative amounts in the Group Consolidated Income Statement were restated to reflect the classification of Netherlands Upstream business as no longer held for sale as at 30 September 2023*

Transmission & Distribution (T&D)

T&D contributed a net profit of AED 2,738 million, a period-on-period decrease of AED 208 million. The lower margin is primarily due to the recognition of deferred tax liabilities recognised on the enactment of UAE corporation tax partly offset by improvements from RC2.

Revenue increased by AED 3,106 million to AED 23,266 million, primarily reflecting higher revenues of AED 2,472 million in pass-through bulk supply tariffs (BST) and AED 453 million in TUOS. Higher pass-through BST was also the main contributor of the AED 2,398 million increase in operating costs to AED 15,823 million for the period. In addition, G&A expenses of AED 926 million were AED 115 million higher reflecting higher staff costs and professional services.

Other gains / (losses) improved by AED 83 million due to rising global interest rates driving higher interest income on bank balances.

Tax expense increased by AED 1,030 million on the initial recognition of deferred tax liabilities, in respect of Purchase Price Allocation (PPA) adjustments carried on the Group's statement of financial position, due to the enactment of corporation tax in the UAE.

Generation

Generation contributed a net income of AED 949 million, an increase of AED 257 million when compared to the prior year. The bottom-line improvement is a combination of higher gross margins generated by our domestic fleet and favorable foreign exchange movements offset by a lower share of profits from our investment in Sohar Aluminium.

Third quarter year-to-date revenues were AED 919 million lower than the comparable period, totaling AED 9,650 million. Lower revenues are principally attributable to the end of our Red Oak tolling agreement in the USA in the third quarter of 2022, which contributed AED 829 million in the comparative period.

Operating expenses reduced by AED 861 million to AED 3,918 million reflecting the ending of the Red Oak tolling agreement (reducing operating expenses by AED 698 million) and generally lower operating costs across our domestic and international fleet.

TAQA's share of results of associates was AED 149 million which was AED 248 million lower than the comparable period. Lower aluminium prices decreased the contribution from the Group's investment in Sohar Aluminium by AED 244 million.

The AED 522 million improvement in Other gains / (losses) is primarily attributable to favorable foreign exchange movements recognized in Morocco and rising global interest rates driving higher interest income on bank balances.

Overall tax expense increased by AED 70 million on the initial recognition of AED 168 million deferred tax liabilities, in respect of Purchase Price Allocation (PPA) adjustments carried on the Group's statement of financial position, due to the enactment of corporation tax in the UAE, offset by a lower current tax charge on lower profitability from our international fleet.

Oil & Gas (O&G)

O&G contributed net income of AED 1,419 million in the third quarter year-to-date, a decrease of AED 2,120 million. The decline is due to lower realized commodity prices and production, partially offset by higher profits generated by our gas storage facilities.

Revenue for the period was AED 6,627 million, an AED 2,068 million reduction. The average realised oil price declined to $77.78/bbl in 2023, compared to $89.47/bbl in 2022. Similarly, average realised gas prices decreased to $5.28/mmbtu from $7.13/mmbtu.

Average production decreased to 110.5 mboe/d from 123.1 mboe/d on account of the shutdown of our operations in Iraq and the natural decline of production from our late-life UK assets. TAQA Atrush ceased operations in Iraq towards the end of the first quarter of 2023 following the international arbitration ruling on the Iraq-Turkey oil pipeline dispute which resulted in the closure of the export pipeline.

Operating expenses of AED 3,065 million for the third quarter year-to-date were consistent with the prior year's results.

Other gains increased by AED 237 million due to rising global interest rates driving higher interest income on bank balances.

Tax expenses of AED 1,261 million for the third quarter year-to-date were AED 308 million higher than the comparative period, despite lower profitability across our portfolio. The relative increase is a result of deferred tax credits recognised in 2022, attributable to our UK and North American assets, and the impact of the Energy Profit Levy in the UK, which came into effect in May 2022 at 25% and was further increased to 35% from start of 2023.

Corporate

Other gains were higher in the first half of 2023 due to the recognition of an AED 10,784 million gain resulting from the acquisition of a 5% holding of the total issued share capital of ADNOC Gas plc. The shareholding was received from ADNOC for no consideration in recognition of the long-standing strategic partnership between the two companies which are working closely to accelerate the energy transition in the UAE, in areas such as renewable energy and enabling other low carbon solutions. The AED 10,784 million gain reflects the market value of the stock at the closing price of the first day's trading.

4. Capital Structure and Liquidity

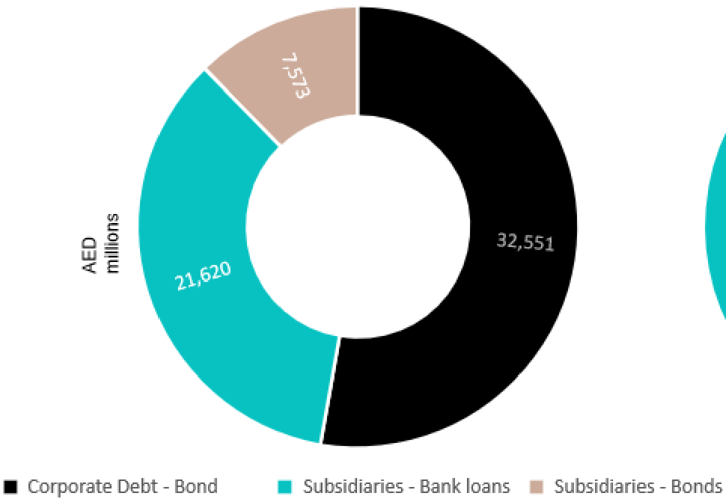
	As at	
Group Consolidated Position	**30-Sep**	31-Dec
(AED million)	**2023**	2022
Total assets	**195,012**	181,508
Total equity	**90,219**	77,741
Total debt	**61,743**	61,705
Net debt-to-capital ratio [1]	**35%**	40%
Unused portion of credit facilities	**13,604**	13,545
Net cash and cash equivalents	**12,385**	10,123
Total Available Liquidity	**25,989**	23,668

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

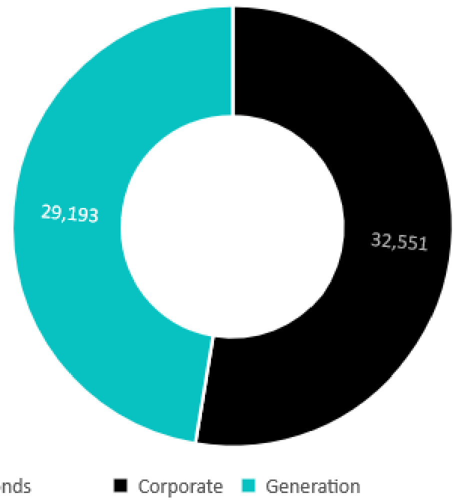
Capital Structure

TAQA's capital structure is comprised of 35% debt (December 2022: 40%) based on the consolidated statement of financial position values as at 30 September 2023 and includes fair value adjustments.

Debt by type



Debt by business line



The Group's external sources of Corporate funding include corporate bonds and the Group's revolving credit facility (RCF). These funds have historically been used to fund investment, acquisitions, 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 Secured Overnight Financing Rate (SOFR) borrowing rates. 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.

After considering the effect of interest rate swaps and embedded derivatives, approximately 98% of the Group's borrowings are at a fixed rate of interest (December 2022: 98%) and the Group's overall cost of debt averaged at 4.7% (December 2022: 4.6%).

Liquidity

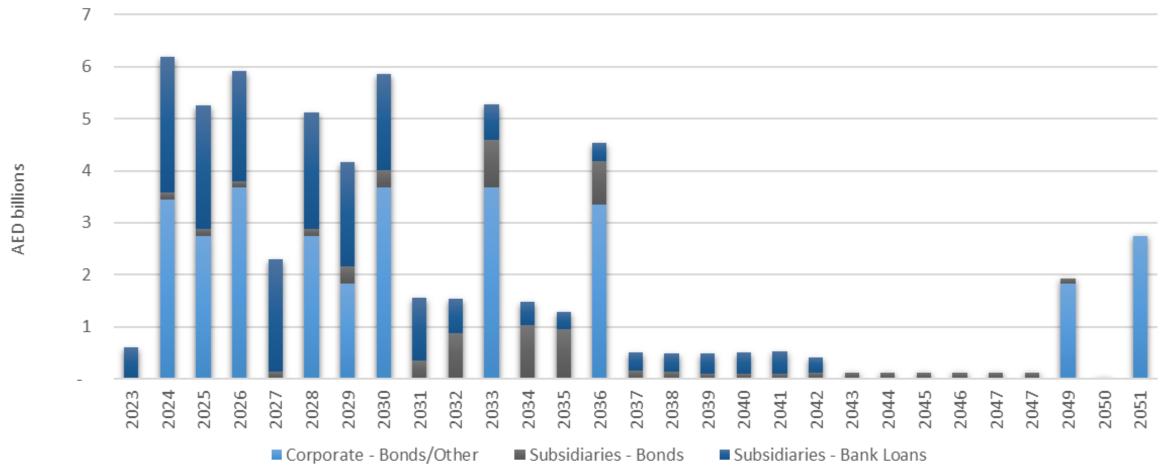
The Group's total available liquidity on 30 September 2023 was AED 26.0 billion (December 2022: 23.7 billion) comprised of AED 13.6 billion available credit facilities and AED 12.4 billion net cash and cash equivalents.

Available credit facilities mainly comprise of the undrawn portion of the Group's AED 12.9 billion (USD 3.5 billion) multicurrency revolving credit facility (RCF) with a syndicate of 20 banks.

As of 30 September 2023, 10% (AED 6.0 billion) of the Group's total debt is classified as current (December 2022: 18%, AED 11.2 billion), based on the carrying value of borrowings. At 31 December 2022, Fujairah Asia Power Company PJSC (FAPCO) was in breach of a loan covenant due to a delay in the restructuring of the international shareholder interests in FAPCO. As a result of the breach, the full amount of the debt was classified as current liabilities in December 2022. This matter has been resolved in the second quarter of 2023 and the balances re-classified based on the contractual terms of the debt.

Maturity Profile

The Group's financial liabilities repayment schedule as at 30 September 2023, based on contractual undiscounted payments, is as follows:



At the end of September 2023, the Group's total debt was AED 61.7 billion (December 2022: AED 61.7 billion), unchanged from the prior year end.

In the first quarter of 2023, the Group made AED 1.1 billion of scheduled project debt repayments in our domestic and international assets. The Group's AED 3.6 billion Corporate bond also matured in March 2023 and was repaid in full, in part through utilizing AED 2.8 billion of the Group's RCF.

In the second quarter of 2023, the Group successfully issued an aggregate AED 5.5 billion (USD 1.5 billion) in 5 year and 10 year dual tranche senior unsecured notes and repaid the RCF. The AED 3.7 billion10 year notes (USD 1.0 billion) were issued in the form of green bonds with a coupon rate of 4.7% per annum. The AED 1.8 billion 5 year notes (USD 0.5 billion) were issued in the form of conventional bonds with a coupon rate of 4.4% per annum. In addition, our Moroccan subsidiary, Jorf Lasfar Energy Company 5&6 S.A, drew down a bridge loan of AED 1.2 billion (MAD 3.3 billion), to facilitate the refinancing of its senior loan facility. Overall, the Group made AED 2.0 billion of scheduled project debt repayments in our domestic and international assets in the second quarter.

In the third quarter of 2023, the Group made AED 0.8 billion of scheduled project debt repayments in our domestic and international assets. The Moroccan bridge loan was repaid and long-term debt of AED 2.4 billion (MAD 6.6 billion) was issued with a maturity of 19 years. The debt carries a floating interest rate and incorporates a cap and collar arrangement designed to mitigate exposure to interest rate risk. The initial interest rate, which is fixed annually within defined interest rate boundaries, is set at 4.8% for the period up to Q3 2024.

5. Capital Expenditure

	Period ended 30 September				
(AED million)	**T&D**	**Generation**	**O&G**	**Corporate**	**Group Total**
2023	**2,354**	**110**	**878**	**-**	**3,342**
2022	1,655	149	686	8	2,498

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

The Group's total capital expenditure for the third quarter year-to-date 2023 was AED 3,342 million, a 34% increase to the comparative period last year.

T&D capital expenditure was AED 699 million higher mainly driven by increase in the number of development projects and projects in execution.

Generation capital expenditure was AED 39 million lower due to lower major plant maintenance in line with established maintenance programs.

O&G capital expenditure was AED 192 million higher driven by increased drilling, completion, and tie-in costs in our North American assets.

Jasim Husain Thabet
Group Chief Executive Officer & Managing Director

Stephen Ridlington
Chief Financial Officer

10 November 2023