

Abu Dhabi National Energy Company PJSC
("TAQA")

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

Abu Dhabi National Energy Company PJSC ("TAQA")

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2024

Abu Dhabi National Energy Company PJSC (“TAQA”)

DIRECTORS’ REPORT

For the year ended 31 December 2024

The Directors present their report together with the consolidated audited financial statements of Abu Dhabi National Energy Company PJSC (“TAQA”, the “Company” or the “Group”), and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2024.

Board of Directors:

The directors of the Company are:

Chairman:	H.E. Mohamed Hassan Alsuwaidi
Vice chairman:	Mr. Khalifa Sultan Al Suwaidi
Members:	Mr. Mansour Mohamed AlMulla
	Mr. Hamad Abdulla Al Hammadi
	Mr. Jasim Husain Thabet
	Mr. AbdulaAziz Abdulla Al Hajri
	Ms. Iman Al Qasim
	Ms. Mouza Saeed Al Romaithi
	Ms. Samia Bouazza
	Dr. Klaus-Dieter Maubach
	Mr. Christopher Geoffrey Finlayson

Principal activities:

The principal activities of the Group are power and water generation, transmission and distribution and upstream and midstream oil and gas operations.

Review of business:

During the year, the Group reported revenue of AED 55,162 million (2023: AED 51,717 million). TAQA’s share of profit for the year was AED 7,068 million (2023: AED 16,647 million).

The Board of Directors approved interim dividends of AED 0.021 per share to the shareholders in respect of the first nine months of 2024 and was in line with shareholder-approved dividend policy.

On 12 February 2025, the Board of Directors proposed a final and variable dividend of AED 2,361 million, being AED 0.021 per share for the year ended 31 December 2024. The interim (AED 0.021 per share), final (AED 0.014 per share) and variable (AED 0.007 per share) dividends are subject to shareholder approval at the General Assembly meeting in March 2025.

Release:

The Directors release management and the external auditors from liability in connection with their duties for the year ended 31 December 2024.

for the Board of Directors

H.E. Mohamed Hassan Alsuwaidi

H.E. Mohamed Hassan Alsuwaidi

Chairman of the Board

Abu Dhabi National Energy Company PJSC (TAQA)

Abu Dhabi National Energy Company PJSC ("TAQA")

**AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

31 DECEMBER 2024

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL ENERGY COMPANY PJSC**

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Abu Dhabi National Energy Company PJSC (the “Company”) and its subsidiaries (together referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority (ADAA) Chairman Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group’s consolidated 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.

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, are of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets with indefinite useful lives The Group has AED 4,755 million of intangible assets with indefinite useful lives as disclosed in Note 14. The Group includes certain Distribution companies in the United Arab Emirates which have license agreements with the Department of Energy (“DOE”). These licenses can only be revoked by DOE after a 25-year notice period. As no notice has been served, these licenses are considered to be intangible assets with indefinite useful lives. In accordance with IAS 36 Impairment of Assets (“IAS 36”), an entity is required to test intangible assets with indefinite useful lives for impairment at least annually irrespective of whether there is any indication of impairment. An impairment is recognized in the consolidated statement of financial position when the recoverable amount is less than the carrying amount in accordance with IAS 36. The determination of the recoverable amount is based on discounted future cash flows. We considered the impairment of intangible assets with indefinite useful lives to be a key audit matter, given the method for determining the recoverable amount and the significance of the balance in the Group’s consolidated financial statements. In addition, the recoverable amounts are based on the use of key assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates. Management determined that the recoverable amount of the intangibles assets with indefinite useful life was in excess of its carrying amount and consequently no impairment charge has been recognised in the consolidated statement of profit or loss. Refer to Note 14 in the consolidated financial statements for more details relating to this matter.	We assessed the design of relevant controls over the process of determining the allowance for impairment of intangible assets with indefinite useful lives and determined if they had been appropriately implemented. These controls included, inter alia, the following: • Controls over the accuracy and completeness of the impairment assessment models; and • Controls over management’s annual preparation of the impairment assessment, including calculations performed and estimates applied. In addition, we also performed the following substantive audit procedures: ▪ Engaged our internal valuation specialists to assess the appropriateness of the impairment model for each license agreement; ▪ Evaluated whether the impairment model used by management to calculate the value in use of each cash-generating unit complies with the requirements stipulated in IAS 36; ▪ Assessed the impairment assessment models provided by management for each license agreement to determine whether they are reasonable and supportable; ▪ Assessed the discount rates and Weighted Average Cost of Capital calculated by management and used in the impairment assessment models; ▪ Challenged the growth rates and the completeness and reasonableness of other key cash flow assumptions used in the impairment models; ▪ Performed sensitivity analysis over the key estimates applied by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change; ▪ Assessed the mathematical accuracy of the impairment models; ▪ Agreed the results of the impairment models to the amounts reported in the consolidated financial statements; and • Assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue from transmission and distribution of power and water, and sewerage services The Group has recognised revenue of AED 36,970 million from transmission and distribution of power and water, and sewerage services for the year ended 31 December 2024, as disclosed in Notes 3.2 and 3.4 to the consolidated financial statements. Revenue is subject to Maximum Allowed Revenue ("MAR") for electricity, potable and recycled water calculated in accordance with a formula as defined in the License and Regulatory Control mechanisms document issued by the Department of Energy (DoE). Other operating revenue in respect of sales of power and water for the year is based on the difference between MAR and revenue billed to customers for the supply and distribution of water and electricity and sewage services. We focused on this area as the other operating revenue calculations are subject to significant judgements, interpretations and assumptions in respect of the definition of notified items, the determination of certain allowable deductions, performance indicators and derogation charges. The MAR calculation is also subject to change from time to time when Regulatory Control mechanisms provided by the DOE are amended or as clarifications are received from the DOE. Accordingly, the computation of the other operating revenue for the year ended 31 December 2024 is considered to be a key audit matter. The critical accounting estimates made and judgements applied by management are disclosed in Note 2.3 and further details about the other operating revenue are disclosed in note 3.	We assessed the design of relevant controls over the process of determining the other operating revenue and determined if they had been appropriately implemented and operating effectively. These controls included, inter alia, the following: ▪ Manual controls over the recognition of other operating revenue; and ▪ Controls over the accuracy and completeness of the other operating revenue calculation. In addition, we also performed the following substantive audit procedures: ▪ Reperformance of management's calculation of other operating revenue; ▪ Agreed the inputs used by management to those stipulated in Regulatory Control 2 (RC 2); ▪ Agreed the adjustments in the Price Control Return to actual amounts; ▪ Evaluated the report of management's expert on the revenue drivers and agreed details in the report to schedules used in the revenue analysis; ▪ Agreed the pass-through charges to invoices and supporting schedules; ▪ Examined the relevant communications with DOE; ▪ Agreed the regulated and unregulated revenue for sales of water and electricity to the revenue calculation used in the other operating revenue; and ▪ Assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and the Annual Report 2024, which will be made available to us after the auditor's report date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 that we obtained prior to the date of this auditor's 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.

When we read the Annual Report for 2024, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB and the applicable provisions of the articles of association of the Company and the U.A.E. Federal Law No. 32 of 2021, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities 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 consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the U.A.E. Federal Law No. 32 of 2021, we report that for the year ended 31 December 2024:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Law No. 32 of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- The Group has not purchased or invested in any shares during the financial year ended 31 December 2024, except as disclosed in Notes 15 and 32;
- Note 6 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2024;
- Note 29 to the consolidated financial statements discloses the material related party transactions, balances, and the terms under which they were conducted; and
- 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 2024 any of the applicable provisions of the U.A.E. Federal Law No. 32 of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (88) of 2021 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2024:

- Law of establishment; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Group's operations.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
12 February 2025
Abu Dhabi
United Arab Emirates

Abu Dhabi National Energy Company PJSC (“TAQA”)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

		31 December	
		2024	2023
	<i>Notes</i>	<i>AED million</i>	<i>AED million</i>
CONTINUED OPERATIONS			
REVENUES			
Revenue from generation of power and water	3.1	12,415	12,715
Revenue from transmission and distribution of power and water	3.2	34,491	30,954
Revenue from oil and gas	3.3	5,777	8,048
Revenue from water solutions	3.4	2,479	-
		55,162	51,717
COST OF SALES			
Operating expenses	4	(32,439)	(29,973)
Depreciation, depletion and amortisation	5	(9,944)	(9,212)
		(42,383)	(39,185)
GROSS PROFIT		12,779	12,532
General and administrative expenses	6	(2,861)	(2,334)
Finance costs	7	(3,079)	(2,872)
Net foreign exchange loss		(38)	(55)
Interest income		542	498
Gain on recognition of an investment	16	-	10,784
Dividend income from an investment		612	298
Other income	8	551	389
Share of results of associates and joint ventures	15	384	191
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		8,890	19,431
Income tax expense	9	(1,623)	(2,629)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		7,267	16,802
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	35	66	18
PROFIT FOR THE YEAR		7,333	16,820
Attributable to:			
Equity holders of the parent		7,068	16,647
Non-controlling interests		265	173
PROFIT FOR THE YEAR		7,333	16,820
Basic and diluted earnings per share attributable to equity holders of the parent (AED) from continuing operations		0.06	0.15
Basic and diluted earnings per share attributable to equity holders of the parent (AED) from continuing operations and discontinued operations	10	0.06	0.15

The accompanying notes form an integral part of these consolidated financial statements.

Abu Dhabi National Energy Company PJSC (“TAQA”)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		31 December	
		2024	2023
	<i>Notes</i>	<i>AED million</i>	<i>AED million</i>
PROFIT FOR THE YEAR		7,333	16,820
OTHER COMPREHENSIVE (LOSS) INCOME			
<i>Items that may be reclassified to statement of profit or loss in subsequent periods:</i>			
Changes in fair values of derivative instruments in cash flow hedges		276	81
Share of other comprehensive (loss)/income of joint ventures and associates		(220)	44
Exchange differences arising on translation of overseas operations		(202)	66
		(146)	191
<i>Items not to be reclassified to statement of profit or loss in subsequent periods:</i>			
Remeasurement gain on defined benefit plans		42	6
Changes in fair value of investments carried at fair value through OCI	16	1,611	1,074
		1,653	1,080
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR		1,507	1,271
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,840	18,091
Attributable to:			
Equity holders of the parent		8,428	17,918
Non-controlling interests		412	173
		8,840	18,091

The accompanying notes form an integral part of these consolidated financial statements.

Abu Dhabi National Energy Company PJSC (“TAQA”)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	31 December 2024 AED million	31 December 2023 AED million
ASSETS			
Non-current assets			
Property, plant and equipment	12	134,942	115,876
Operating financial assets	13	6,601	7,573
Intangible assets	14	14,297	15,597
Investment in and loans to associates and joint ventures	15	16,025	8,209
Investment carried at fair value through other comprehensive income	16	13,469	11,858
Deferred tax assets	9	5,616	6,098
Derivative financial instruments	31	638	354
Other assets	17	1,568	1,054
		193,156	166,619
Current assets			
Inventories	18	2,695	3,202
Amounts due from related parties	29	3,573	1,904
Operating financial assets	13	1,220	1,213
Accounts receivable, prepayments and other receivables	19	6,630	5,927
Income tax prepaid		853	527
Derivative financial instruments	31	74	229
Cash and bank balances	20	8,612	14,077
		23,657	27,079
Assets classified as held for sale	35	-	942
TOTAL ASSETS		216,813	194,640
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	21	112,434	112,434
Merger reserve	22	(55,437)	(56,443)
Statutory reserve	22	4,152	3,445
Retained earnings		31,275	18,168
Foreign currency translation reserve		(253)	(51)
Cumulative changes in fair value of derivatives in cash flow hedges		3,905	3,996
Cumulative changes in fair value of investments		2,685	1,074
		98,761	82,623
Non-controlling interests	23	5,968	6,361
Loans from non-controlling interest shareholders in subsidiaries	24	95	111
Total non-controlling interests, including loans		6,063	6,472
TOTAL EQUITY		104,824	89,095

The accompanying notes form an integral part of these consolidated financial statements.

Abu Dhabi National Energy Company PJSC (“TAQA”)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

As at 31 December 2024

		31 December 2024	31 December 2023
	Notes	AED million	AED million
Non-current liabilities			
Interest bearing loans and borrowings	25	54,972	55,442
Deferred tax liabilities	9	2,343	2,417
Asset retirement obligations	26	12,198	13,471
Derivative financial instruments	31	333	342
Other liabilities	27	3,121	2,547
		<u>72,967</u>	<u>74,219</u>
Current liabilities			
Accounts payable, accruals and other liabilities	28	23,992	19,205
Interest bearing loans and borrowings	25	9,152	6,211
Amounts due to related parties	29	4,518	4,588
Bank overdrafts	20	5	3
Income tax payable		1,246	906
Derivative financial instruments	31	109	67
		<u>39,022</u>	<u>30,980</u>
Liabilities directly associated with assets classified as held for sale	35	-	346
TOTAL LIABILITIES		<u>111,989</u>	<u>105,545</u>
TOTAL EQUITY AND LIABILITIES		<u>216,813</u>	<u>194,640</u>

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein. The consolidated financial statements were approved by the Board of Directors on 12 February 2025 and signed on its behalf by:

H.E. Mohamed Hassan Alsuwaidi

CHAIRMAN OF THE
BOARD OF DIRECTORS



CHAIRMAN OF THE
AUDIT COMMITTEE



GROUP CHIEF EXECUTIVE OFFICER
& MANAGING DIRECTOR



CHIEF FINANCIAL OFFICER

The accompanying notes form an integral part of these consolidated financial statements.

Abu Dhabi National Energy Company PJSC (“TAQA”)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity holders of the parent										Loans from non-controlling interest shareholders in subsidiaries	Total equity
	Share capital AED million	Merger reserve AED million	Statutory reserve AED million	Retained earnings AED million	Foreign currency translation reserve AED million	Cumulative changes in fair value of derivatives AED million	Cumulative changes in fair value of investments AED million	Total AED million	Non-controlling interests AED million		AED million	AED million
Balance at 1 January 2023	112,434	(56,443)	1,780	9,002	(117)	3,871	-	70,527	7,297	165		77,989
Profit for the year	-	-	-	16,647	-	-	-	16,647	173	-		16,820
Other comprehensive income for the year	-	-	-	6	66	125	1,074	1,271	-	-		1,271
Total comprehensive income for the year	-	-	-	16,653	66	125	1,074	17,918	173	-		18,091
Dividends (note 36)	-	-	-	(5,907)	-	-	-	(5,907)	(840)	-		(6,747)
Transfer to reserves	-	-	1,665	(1,665)	-	-	-	-	-	-		-
Group ownership modification	-	-	-	85	-	-	-	85	(269)	-		(184)
Repayment of loans	-	-	-	-	-	-	-	-	-	(54)		(54)
Balance at 31 December 2023	112,434	(56,443)	3,445	18,168	(51)	3,996	1,074	82,623	6,361	111		89,095
Balance at 1 January 2024	112,434	(56,443)	3,445	18,168	(51)	3,996	1,074	82,623	6,361	111		89,095
Profit for the year	-	-	-	7,068	-	-	-	7,068	265	-		7,333
Other comprehensive income/(loss) for the year	-	-	-	42	(202)	(91)	1,611	1,360	147	-		1,507
Total comprehensive income/(loss) for the year	-	-	-	7,110	(202)	(91)	1,611	8,428	412	-		8,840
Dividends (note 36)	-	-	-	(4,610)	-	-	-	(4,610)	(848)	-		(5,458)
Share capital reduction	-	-	-	-	-	-	-	-	(184)	-		(184)
Disposal of an entity (note 35)	-	1,006	-	(1,006)	-	-	-	-	-	-		-
Transfer of entities under common control (note 34)	-	-	-	12,320	-	-	-	12,320	227	-		12,547
Transfer to reserves	-	-	707	(707)	-	-	-	-	-	-		-
Repayment of loans	-	-	-	-	-	-	-	-	-	(16)		(16)
Balance at 31 December 2024	112,434	(55,437)	4,152	31,275	(253)	3,905	2,685	98,761	5,968	95		104,824

The accompanying notes form an integral part of these consolidated financial statements.

Abu Dhabi National Energy Company PJSC (“TAQA”)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

		31 December 2024	31 December 2023
	<i>Notes</i>	<i>AED million</i>	<i>AED million</i>
OPERATING ACTIVITIES			
Profit before tax from continuing operations		8,890	19,431
Profit before tax from discontinued operations	35	66	18
		8,956	19,449
Adjustments for:			
Depreciation, depletion and amortisation	5	9,985	9,253
Finance costs	7	3,079	2,873
Share of results of associates and joint ventures	15	(384)	(191)
Other movements		246	535
Gain on recognition of an investment	16	-	(10,784)
Interest income		(542)	(498)
Dividend income from an investment		(612)	(298)
Revenue from operating financial assets	13	(1,498)	(1,565)
		10,274	(675)
Working capital changes:			
Inventories		212	233
Accounts receivables and prepayments		1,470	883
Amounts due from related parties		(589)	(144)
Amounts due to related parties		(1,077)	459
Accounts payable, accruals and other liabilities		(368)	453
Income tax paid		(1,000)	(1,567)
Asset retirement obligation payments	26	(1,589)	(1,002)
Cash received from operating financial assets	13	1,923	2,029
		(1,018)	1,344
Net cash generated from operating activities		18,212	20,118
INVESTING ACTIVITIES			
Transfer of entities under common control- cash and cash equivalents			
in acquired entities	34	463	-
Consideration paid for an acquired entity	34	(862)	-
Purchases of property, plant and equipment	12	(8,416)	(5,086)
Purchases of intangible assets	14	(24)	(139)
Purchase of share in a subsidiary		-	(204)
Receipts from associates and joint ventures		305	312
Interest received		542	498
Dividend income from an investment		612	298
Advance to a related party	15	(8,028)	(1,731)
Other movements		(196)	(138)
Net cash used in investing activities		(15,604)	(6,190)

The accompanying notes form an integral part of these consolidated financial statements.

Abu Dhabi National Energy Company PJSC (“TAQA”)

CONSOLIDATED STATEMENT OF CASH FLOWS continued

For the year ended 31 December 2024

		31 December 2024	31 December 2023
	<i>Notes</i>	AED million	AED million
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	25	10,163	11,999
Repayments of interest-bearing loans and borrowings	25	(8,721)	(12,127)
Repayments of Islamic loans	25	-	(92)
Payments of lease liabilities		(214)	(193)
Interest paid		(2,707)	(2,930)
Dividend paid to non-controlling interest shareholders		(896)	(900)
Dividend paid to shareholders		(4,610)	(5,907)
Repayment of loans to non-controlling interest shareholders		(29)	(54)
Payment of share capital reduction to non-controlling interest shareholders		(184)	-
Amounts due to related parties	34	(879)	-
Net cash used in financing activities		(8,077)	(10,204)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5,469)	3,724
Net foreign exchange difference		(41)	8
Cash and cash equivalents at 1 January	20	13,878	10,123
Restricted cash movement	20	14	23
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	8,382	13,878

Significant non-cash transactions:

In the year ended 31 December 2024, assets with a value of AED 411 million (31 December 2023: AED 753 million) and AED 397 million (31 December 2023: AED 265 million) were respectively transferred to TAQA Transmission (formally Abu Dhabi Transmission & Despatch Company PJSC) and TAQA Distribution (formally Abu Dhabi Distribution Company PJSC AED 343 million and Al Ain Distribution Company PJSC AED 54 million). These amounts have not been reflected in the ‘Purchases of property, plant and equipment’ in the consolidated statement of cash flows as they were transferred at nil cost to the companies, however the amounts have been recorded within ‘Property, plant and equipment’ on the consolidated statement of financial position.

In the year ended 31 December 2023, an equity investment with a fair value of AED 10,784 million at initial recognition was transferred to Abu Dhabi National Energy Company PJSC (TAQA). This represents a 5% holding of the total issued share capital of ADNOC Gas plc, an entity listed on the Abu Dhabi Securities Exchange (ADX). This amount has not been reflected in the consolidated statement of cash flows, however the amount has been recorded on the consolidated statement of financial position. Further details are provided in note 16.

The accompanying notes form an integral part of these consolidated financial statements.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

1 CORPORATE INFORMATION

Abu Dhabi National Energy Company PJSC (“TAQA” or the “Company”) was established on 21 June 2005 pursuant to the provisions of Emiri Decree number 16/2005 as a public joint stock company.

TAQA is a subsidiary of Abu Dhabi Power Corporation (“ADPC”) and is listed on the Abu Dhabi Securities Exchange. ADPC's ownership represents 90.0% of the entire issued share capital of TAQA. Of the remainder, 5.1% is held by Norm Commercial Investments – One Person Company and 4.9% by other shareholders including the public. ADPC is a 100% owned by Abu Dhabi Developmental Holding Company (“ADQ”).

TAQA is a diversified utilities and energy company with power and water generation, transmission and distribution, and sustainable water solutions assets in the UAE. TAQA operates internationally across the energy value chain from upstream and midstream oil and gas through to power generation.

TAQA's registered head office is at 25th Floor, Al Maqam Tower, Abu Dhabi Global Market Square, PO Box 55224, Abu Dhabi, United Arab Emirates.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of TAQA have been prepared on the historical cost basis except for assets and liabilities measured at fair value in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the applicable requirements of the UAE Federal Law No. 32 of 2021.

These consolidated financial statements have been presented in United Arab Emirates Dirhams (AED). All values are rounded to the nearest million (AED million) except where otherwise indicated.

As at 31 December 2024, retained earnings of the Group are AED 31,275 million (2023: AED 18,168 million). As at 31 December 2024, the current liabilities of the Group exceed its current assets by AED 15,365 million (2023: AED 3,901 million). The consolidated financial statements have been prepared on a going concern basis. The Group has sufficient short to medium term liquidity through the Group's undrawn committed borrowing facilities (note 20) to meet ongoing commitments and therefore it is concluded that adequate support is available to evidence that the going concern assumption is appropriate for the preparation of the 2024 consolidated financial statements.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime has become effective for accounting periods beginning on or after 1 June 2023. The Cabinet of Ministers Decision No. 116 of 2022 (widely accepted to be effective from 16 January 2023) specified the threshold of taxable income to which the 0% UAE CT rate would apply, and above which the 9% UAE CT rate would apply. It is widely considered that this would constitute ‘substantive enactment’ of the UAE CT Law for the purposes of IAS 12, the objective of which is to prescribe the basis for accounting for Income Taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.1 BASIS OF PREPARATION continued

Current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the any reporting period. Since no taxes were expected to be paid to or recovered from the tax authorities for the periods ended prior to 31 December 2023, no current tax was accounted for in the financial periods ended before 31 December 2023. Since the Group is expected to pay tax in accordance with the provision of the UAE CT Law on its operational results with effect from 1 January 2024, current taxes have been accounted for in the consolidated financial statements for the year beginning from 1 January 2024.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled. As the UAE CT Law was ‘substantively enacted’ as at 31 December 2023 for the purposes of IAS 12, the Group considered the application of IAS 12 and any requirements for the measurement and recognition of deferred taxes (if any) for the financial periods ended post 1 June 2023. Based on an assessment conducted by the Group’s management, of the potential impact of the UAE CT Law on the balance sheet, the Group considered that taxable temporary differences arise in respect of Purchase Price Allocation (PPA) adjustments carried on the Group’s consolidated balance sheet and relating to corporate transaction in prior accounting periods. The Group has assessed a potential deferred tax liability in the amount of AED 1,198 million and relating to the PPA attributable to UAE-based Group entities. No other potential deferred tax assets or liabilities have been identified at 31 December 2023.

On 15 March 2024, the UAE Ministry of Finance released a Consultation document on implementation of the OECD Base Erosion and Profit Shifting (BEPS) Pillar II (Minimum tax), which sets out a top-up tax liability calculated based on the principles in the Pillar II model rules. The Consultation was closed for comments on 10 April 2024 and is awaiting further announcements.

The Group is headquartered in the UAE and is within the scope of the OECD BEPS Pillar II model rules. The Group has operations in countries where Pillar II legislation was in effect during 2024 (e.g., Netherlands, Canada, and United Kingdom). The Group has performed a preliminary assessment of its potential exposure to Pillar II income taxes in these countries and has considered the relief provided in the OECD guidance such as the Transitional Country by Country Reporting Safe Harbour (TCSH). The Group expects to meet the TCSH relief in majority of the relevant jurisdictions, in particular Netherlands, Canada, and United Kingdom and therefore, it does not have any significant exposure to Pillar II income taxes in 2024. The Group’s effective tax rate is expected to increase in 2025 due to implementation of Pillar II legislation in UAE and other jurisdictions. In the absence of further guidance in UAE, the expected impact in 2025 cannot be reasonably estimated at this time. The Group continues to monitor the legislative activity and potential impact of Pillar II on its future financial performance.

On 23 May 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 12 Income Taxes (Amendments). The Amendments address concerns related to accounting and reporting of the Pillar II income taxes. These Amendments are applicable for annual periods beginning on or after 1 January 2023. The Amendments introduce a mandatory temporary exception from recognizing and disclosing deferred taxes related to Pillar II when the legislation is enacted. The Group has applied this mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar II income taxes.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements incorporate the financial statements of TAQA and entities controlled by TAQA - its subsidiaries (together referred to as the “Group”), made up to 31 December 2024. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not its voting rights in an investee are sufficient to give it power, including:

- the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by it, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that it has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when it loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in income statement from the date the Group gains control until the date when it ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 - Income taxes and IAS 19 - Employee benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Common Control

Acquisition of controlling interest in entities that are under common control of the Shareholder which lack commercial substance and are based on a decision by the Shareholder are accounted for in accordance with the pooling of interest method of accounting using predecessor values method. The consolidated financial statements of the combined entities are presented as if the business had been combined from the date when the combining entities were first brought under common control without restating and presenting the prior period. The assets and liabilities are accounted for at carrying amounts previously recorded in the books of the transferor. The components of equity of the acquired entities are added to the same components within the Group's equity. Any transaction cost paid for acquisition is recognised directly in equity.

Acquisition of controlling interest in entities that are under common control of the Shareholder which have commercial substance are recorded using the acquisition method.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Fair value measurement

The Group measures certain financial instruments, such as, derivatives, and certain non-financial assets, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The group categorises assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within Level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modification to observable related market data or the Group's assumption about pricing by market participants.

Revenue recognition

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control usually coincides with title passing to the customer and the customer taking physical possession.

When, or as, a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

The different revenue streams of the Group and the timing of revenue recognition in respect of each revenue stream are mentioned below:

a) Revenue from transmission and distribution of power and water

The Group has a transmission system that consists of various transmission lines and transformers that link power stations to the distribution system. The transmission network primarily transports bulk power and water to the distribution networks. The Group also provides infrastructure services for the transmission system network.

The Group earns revenue from licensed and unlicensed activities, using certain assets that are shared between these activities, and other assets that are solely dedicated to unlicensed activities. Licensed activities represent operations and transactions relating to the transmission of power and water within the Emirate of Abu Dhabi, which are charged to TAQA Distribution (formally ADDC and AADC which are both Group companies). These transactions are eliminated as intra-group transactions and not reported in these consolidated financial statements post the effective date of the merger transaction, i.e. 1 July 2020. Unlicensed activities represent operations and transactions relating to transmission of power and water to Federal Electricity and Water Authority and Sharjah Electricity and Water Authority, which are charged to Emirates Water and Electricity Company (EWEC).

Transmission use of system charges from shared assets (licensed activities)

Revenue from Transmission Use of System (TUOS) charges is calculated in accordance with the formula in the licensed activities document issued by the DoE, under the licenses issued to the Company by DoE for the transmission of water and electricity from generation and desalination plants to the distribution companies and comprise the costs for the provision of shared transmission network services at delivery points to the distribution companies.

Revenue from TUOS charges is recognised upon the delivery of electricity and water.

As per the terms of the License revenue from TUOS charges cannot exceed the maximum allowed electricity and water revenue calculated in accordance with a formula as defined in the License and price control as regulated by the DoE in accordance with the License and correspondence relating to Regulatory Control (RC).

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Revenue recognition continued

a) Revenue from transmission and distribution of power and water continued

System charges from solely dedicated assets (unlicensed activities)

The service charges for the transmission of water and electricity to other emirates from solely dedicated assets are based on the specific transmission charge calculated with reference to the costs associated with operating relevant dedicated assets. Such revenue is also recognised upon the delivery of electricity and water.

Revenue from supply and distribution of power and water

The Group also earns revenue from supply and distribution of power and water in the region of Abu Dhabi. Revenue is subject to Maximum Allowed Revenue (“MAR”) calculated in accordance with a formula as defined in the License document issued by DoE.

Revenue earned from supply business includes charges recoverable from customers for the supply of power and water within the Group’s distribution. Revenue is recognised at the point in time when the units of power and water are supplied to customers and includes an estimate of the value of the units supplied to customers between the date of the last meter reading and the reporting date. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur based on accumulated historical experience of the Group.

When the Group satisfies a performance obligation by transferring a promised good or service, the Group has earned a right to consideration from the customer and, therefore, has a contract asset in the form of account receivable.

Revenue from connection and meter installation fees

Revenue from connection and meter installation fees includes income earned from customers for installation of meters and other related equipment. These charges are recognised in profit or loss when the connection is activated.

Revenue from water coupons and prepaid cards

Revenue from prepaid cards represents charges received from the customers for the sale of water coupons and prepaid cards. These charges are recognised in the statement of profit or loss at the time when units of water are distributed to the customers against these prepaid cards.

Other operating revenue

Other operating revenue in respect of sale of power and water for the period are based on the difference between MAR and revenue billed to customers for the supply and distribution of water and electricity.

Revenue is recognised at the point in time when the units of power and water are supplied to customers and includes an estimate of the value of the units supplied to customers between the date of the last meter reading and the reporting date.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Revenue recognition continued

b) Revenue from generation of power and water

The Group earns revenue from sale of power and water. The revenue recognition of the Group’s power and water business is as follows:

- Where the Group determines that the Power and Water Purchase Agreement (PWPA)/Power Purchase Agreement (PPA) meets the financial asset model requirements for service concession arrangements (explained under material accounting policy on ‘Service concessions’), consideration receivable is allocated by reference to the relative fair values of the services delivered.
- Operating revenue is recognised as the service is provided and finance revenue is recognised using the effective interest rate method on the financial asset.
- Where the Group determines that the PWPA/PPA contains an operating lease, capacity payments are recognised as operating lease rental revenue on a systematic basis to the extent that capacity has been made available to the offtaker during the period. Those payments, which are not included as capacity payments (e.g. fuel revenue), are recognised as revenue in accordance with the contractual terms of the PWPA/PPA.
- Energy and water payments are recognised as revenue at the point in time when the contracted power and water capacity is provided to the offtaker.
- Fuel revenue represents reimbursements from the offtakers in the power and water subsidiaries at market prices for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. Fuel revenue is recognised as and when fuel is consumed in the production of power and water.

c) Revenue from oil and gas

Revenue from the sale of oil and gas is recognised at the point in time when control of the product is transferred to the customer, which is generally when the product is physically transferred into a vessel, pipe or other delivery mechanism and the customer accepts the product.

The Group’s sales of oil and gas are priced based on market prices and where necessary adjusted for a quality differential based on the American Petroleum Institute (API) gravity of the oil and gas sold.

Lifting or offtake arrangements for oil and gas produced by certain of the Group’s jointly owned assets are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative production entitlement and cumulative sales attributable to each participant at a reporting date represents ‘underlift’ or ‘overlift’. Underlift and overlift are valued at market value and included within current assets and current liabilities respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Gas storage

The revenue from gas storage is recognised over time as the service is provided and accepted by customers.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Revenue recognition continued

d) Revenue from water solutions

The Group earns revenue from sewerage services in region of Abu Dhabi. Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over goods or services to its customers.

Revenue is subject to Maximum Allowed Revenue (“MAR”) for sewerage services calculated in accordance with a formula as defined in the license document issued by the Department of Energy (DoE). Revenue is recognised at a point in time in line with the provision of the sewerage services.

Revenue from sewerage services

The Group earns revenue from provision of sewerage services in the Emirates of Abu Dhabi. Revenue is subject to Maximum Allowed Revenue (MAR). Revenue is recognised at a point in time in line with the provision of the sewerage services. When the Group satisfies a performance obligation by transferring a promised good or service, the Group has earned a right to consideration from customer and, therefore, has a contract asset.

Government grants

Grants that compensate the Group for the cost of an asset are initially recognised as a deferred government grant at fair value when there is reasonable assurance that a grant will be received and the Group will comply with the conditions associated with the grant. Subsequently, these grants are recognised in profit or loss on a systematic basis over the useful life of the associated asset.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the consolidated statement of profit or loss in the period in which they become receivable. The benefit of a government loan at a concessional rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts.

Taxes

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Taxes continued

b) Deferred income tax

Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates as at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognised in profit or loss or in other comprehensive income/(loss) in the period they occur.

The Group recognises the financial statement impact of a tax filing position when it is probable, based on the technical merits, that the position will be sustained upon audit. The Group assesses possible outcomes and their associated probabilities. If the Group determines payment is probable, it measures the tax provision at the best estimate of the amount of tax payable.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

For the purpose of these consolidated financial statements, the UAE Dirhams (AED) is the presentation currency of the Group.

In individual subsidiaries, joint ventures and associates, transactions in foreign currencies are initially recorded in the functional currency of those entities at the spot exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot exchange rate at the reporting date. Any resulting exchange differences are included in the profit or loss, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value are not retranslated subsequent to initial recognition.

In these consolidated financial statements, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rates on a monthly basis. The exchange differences arising on the translation are recognised in other comprehensive income/(loss) and accumulated in the foreign currency translation reserve within equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Investments in associates and joint ventures continued

The results, assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment is carried on the statement of financial position at cost plus post-acquisition changes in the Group’s share of net assets of the entity, less distributions received and less any impairment in value of the investment. Loans advanced to equity-accounted entities that have the characteristics of equity financing are also included in the investment on the Group’s statement of financial position. The Group’s statement of profit or loss reflects the Group’s share of the results after tax of the equity-accounted entity, adjusted to account for depreciation, amortisation and any impairment of the equity-accounted entity’s assets based on their fair values at the date of acquisition. The Group’s statement of comprehensive income includes the Group’s share of the equity-accounted entity’s comprehensive income/(loss). The Group’s share of amounts recognised directly in equity by an equity-accounted entity is recognised directly in the Group’s statement of changes in equity.

Unrealised gains on transactions between the Group and its equity-accounted entities are eliminated to the extent of the Group’s interest in the equity-accounted entity.

The Group assesses investments in equity-accounted entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal (FVLCD) and value in use (VIU). If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

Interests in joint operations

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Certain of the Group’s activities in the oil and gas segment are conducted through joint operations where the partners have a direct ownership interest in and jointly control the underlying assets of the joint operation. The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other partners, income from the sale or use of its share of the joint operation’s output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for 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 or assets, even if that right is not explicitly specified in an arrangement.

a) Group as a lessee - Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

b) Group as a lessee - Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c) Group as a lessor - Finance leases

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are classified as financial leases. The amounts due from the lessee are recorded in the consolidated statement of financial position as financial assets and are carried at the amount of the net investment in the lease after making provision for expected credit losses.

d) Group as a lessor - Operating leases

Leases where the Group 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.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation for intangible assets with finite lives is calculated on a straight-line basis as follows:

- | | |
|---------------------------------------|--------------|
| • Computer software | 3 years |
| • Power & water purchase agreements | 1 – 22 years |
| • Reacquired connection rights | 1 – 8 years |
| • Power & water distribution licences | Indefinite |

The expected useful lives of intangible assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the intangible asset is derecognised.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

Oil and natural gas exploration, evaluation and development expenditure

a) Exploration & evaluation costs - capitalisation

Pre-license costs and geological and geophysical exploration costs incurred prior to obtaining the rights to explore are recognised in profit or loss when incurred. Exploration licences are recognised as an exploration and evaluation (“E&E”) asset. The cost of that licence includes the directly attributable costs of its acquisition. Examples of such costs may include non-refundable taxes and professional and legal costs incurred in obtaining the licence. Costs incurred after the rights to explore have been obtained, such as geological and geophysical costs, drilling costs, appraisal and development study costs and other directly attributable costs of exploration and evaluation activity, including technical and administrative costs for each exploration asset, are capitalised as intangible E&E assets. E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered then, following development sanction, the carrying value of the relevant E&E asset is reclassified as a development and production (“D&P”) asset. This category reclassification is only performed after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If commercial reserves are not discovered at the completion of appraisal activity of each asset and it is not expected to derive any future economic benefits, the E&E asset is written off to profit or loss.

b) Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Property, plant and equipment

a) Property, plant and equipment - general

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The present value of the expected cost for the decommissioning obligation of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is calculated so as to write off the cost of property, plant and equipment over the expected useful economic lives of the assets concerned. If significant parts of an item of property, plant and equipment have different useful lives, these significant parts are accounted for as separate items (major components) of property, plant and equipment. The estimated useful lives of assets as follows:

- Buildings, equipment and plant and machinery - 3 to 68 years (Depreciation: Straight line basis)
- Plant spares - 5 to 40 years (Depreciation: Straight line basis)
- Right of use assets – 1 to 5 years / Lower of useful life and lease term (Depreciation: Straight line basis)
- Oil and gas properties - Unit of production (Depreciation: Unit of production basis)
- Strategic tunnel enhancement program – 80 years (Depreciation: Straight line basis)

The assets’ residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date, with the effect of any changes in estimate accounted for a prospective basis.

The cost of spare parts held as essential for the continuity of operations and which are designated as strategic spares are depreciated on a straight line basis over their estimated operating life. Spare parts used for normal repairs and maintenance are expensed when issued.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

b) Property, plant and equipment - oil and gas properties

Oil and gas properties in the development and production phase (“D&P” assets) and other related assets are stated at cost, less accumulated depreciation and accumulated impairment losses (net of reversal of previously recognised impairment losses, if any). The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the estimate of the decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated on a unit-of-production basis over the proved and probable (“2P”) reserves of the field concerned. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with estimated future development expenditure. Depreciation on oil and gas properties does not commence until the commencement of production from the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Property, plant and equipment continued

c) Property, plant and equipment - major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the group, the expenditure is capitalised. Where an asset or part of an asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset (or asset part) which is immediately written off.

Inspection costs associated with major maintenance programs are capitalised when the recognition criteria are met and amortised over the period to the next inspection. Day to day servicing and maintenance costs are expensed as incurred in profit or loss.

d) Property, plant and equipment - capital work in progress

Capital work in progress is included in property, plant and equipment at cost on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal (FVLCD) and its value in use (VIU). Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of VIU calculations, assumptions are also made regarding the cash flows from each asset's ultimate disposal. In determining FVLCD, recent appropriate market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Impairment of non-financial assets continued

For the purpose of E&E asset impairment testing, cash generating units are grouped at the operating segment level. An impairment test performed in the E&E phase therefore involves grouping all E&E assets within the relevant segment with the development & production (D&P) assets belonging to the same segment. The combined segment carrying amount is compared to the combined segment recoverable amount and any resulting impairment loss identified within the E&E asset is written off to profit or loss. The recoverable amount of the segment is determined as the higher of its FVLCD and its VIU.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories of oil and oil products, which represent production from oil and gas facilities of the Group which are tanked at storage facilities awaiting sale, are valued at market value.

All other items of inventory are valued at the lower of cost, determined on the basis of weighted average cost, and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Deferred income

This represents the value of property, plant and equipment received as a grant and is recognised as income over the period necessary to match with the related costs of property, plant and equipment which are subject to compensation.

Customer and meter deposits

Customer and meter deposits from electricity and water customers are recognised as liability when they are received and are normally settled at the time of disconnecting the customer from the Group’s distribution network.

Service concessions

The Group accounts for service concession arrangements under IFRIC 12 when the following conditions are met:

- the grantor (usually a government entity) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor (usually a government entity) controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Service concessions continued

In view of the above, concession infrastructure that does not meet the requirements of IFRIC 12 is presented as property, plant and equipment. Under IFRIC 12, the operator’s rights over the plant operated under concession arrangements are accounted for based on the party primarily responsible for payment:

- the “intangible asset model” is applied when users have primary responsibility to pay for the concession services; and
- the “financial asset model” is applied when the grantor has the primary responsibility to pay the operator for the concession services.

Where the grantor guarantees the amounts that will be paid over the term of the contract (e.g. via a guaranteed internal rate of return), the financial asset model is used to account for the concession infrastructure, since the grantor is primarily responsible for payment. The financial asset model is used to account for Build, Operate and Transfer (BOT) contracts entered into with the grantor. The Group recognises financial assets from service concession arrangements in the statement of financial position as operating financial assets at amortised cost.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 - Revenue from Contracts with Customers.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument’s fair value can be determined using market observable inputs, or realised through settlement.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Financial instruments continued

a) Financial assets continued

Initial recognition and measurement continued

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 - Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Financial instruments continued

a) *Financial assets* continued

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The detailed accounting treatment of derivatives is described in the accounting policy of derivative financial instrument and hedging activities. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Cash and short-term deposits

Cash and short-term deposits in statement of financial position comprise of cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:
 - the Group has transferred substantially all the risks and rewards of the asset, or
 - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Financial instruments continued

a) Financial assets continued

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which the counter-party has an investment grade credit rating or credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are calculated based on estimates including the probability of default (PD) and the loss incurred in default positions (LGD). These estimates are allocated by assessing the counterparty credit ratings. The Group calibrates the matrix to adjust the provision rates with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are projected to change then the historical default rates are adjusted. At every reporting date, the counterparty credit ratings are updated and changes in the forward-looking estimates are analysed. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Financial instruments continued

a) Financial assets continued

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the PD, loss given default (LGD) (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group’s understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

b) Financial liabilities

Initial recognition and measurement

At initial recognition, the Group measures a financial liability not classified as FVTPL, at its fair value minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost
- Financial liabilities at FVTPL

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Financial instruments continued

b) Financial liabilities continued

Financial liabilities subsequently measured at amortised cost

The Group measures financial liabilities that are not held-for-trading and are not designated as at FVTPL at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the finance costs in the statement of profit or loss.

Financial liabilities subsequently measured at FVTPL

The Group measures financial liabilities that are classified as held for trading, i.e. if they are incurred for the purpose of repurchasing in the near term, at FVTPL. This category also includes derivative financial instruments, including separated embedded derivatives, entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial guarantee contracts and loan commitments issued by the Group are also designated by the Group as financial liabilities at FVTPL. Gains or losses on financial liabilities at FVTPL are recognised in profit or loss.

Derecognition

The Group derecognises financial liabilities when the obligation is discharged, cancelled or expires. Any difference between carrying value of financial liability extinguished and the consideration paid is recognised in profit or loss.

c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

d) Derivative financial instruments and hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 31.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Hedge accounting

At the inception of a hedge relationship that qualifies for hedge accounting, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Financial instruments continued

Hedge accounting continued

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of profit or loss relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

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 the consolidated statement of comprehensive income and accumulated under the heading of changes in fair values of derivative instruments in cash flow hedges. The gain or loss relating to the ineffective portion is recognised immediately in statement of profit or loss, and is included in the other income line item.

Amounts previously recognised in other comprehensive income/(loss) and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income/(loss) and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income/(loss) and 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 gain or loss accumulated in equity is recognised immediately in profit or loss.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Employees benefits

a) Annual leave and leave passage

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

b) End of service benefits

Defined contribution plans

The Group provides end of service benefits to certain 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 period of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees' salaries. Where the Group's obligations are limited to these contributions made to pension and benefit funds, these contributions are expensed on a monthly basis and paid when due.

Defined benefit plans

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The cost of providing benefits under defined benefit plans is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income/(loss) in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Provisions

a) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Provisions continued

b) Asset retirement obligations (ARO) / decommissioning liability

Certain subsidiaries have legal obligations in respect of site restoration and abandonment of their power generation and water desalination assets and oil and gas properties at the end of their useful lives (decommissioning costs). The Group records a provision for the site restoration and abandonment 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 obligations using estimated cash flows and are recognised as part of the cost of each specific asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The accretion is expensed as incurred and recognised in the statement of 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 provisions based on revised costs estimates or discount rate applied charges are added to or deducted from the cost of the relevant asset.

c) Production bonuses

Under the terms of the relevant production sharing arrangements, the Group’s European (TAQA Bratani and TAQA Energy) and North American (TAQA North) oil and gas assets are entitled to its participating share in hydrocarbon production based on the Group’s working interest. The Group’s oil assets in the Kurdistan region of Iraq (TAQA Atrush) are entitled to its participating interest in the crude oil production based on the Group’s participating interest.

For the Group’s investment in TAQA Atrush, the production sharing contract contains a legal obligation for production bonuses to be paid to the Kurdistan Regional Government when certain production targets are achieved. The Group records a provision for these bonuses when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. This is assessed based on the Group’s share of proved and probable reserves under the production sharing contract. On 7 August 2024, the Group formally completed the sale of the Atrush block

Contingencies

From time to time, the Group receives claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. A liability is accrued only if an adverse outcome is more likely than not and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the claim is disclosed as a contingent liability, if material. The actual outcome of a claim may differ from the estimated liability and consequently may affect the financial performance and position of the Group.

Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 MATERIAL ACCOUNTING POLICIES continued

Non-current assets held for sale and discontinued operations continued

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operation,
- Is part of a single co-ordinated plan to dispose of a separate major line of business,
- Or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are present as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss.

2.3 MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements in applying accounting policies

The management has made the following judgements, which have the most significant effect on the amounts recognised in these consolidated financial statements:

Revenue recognition - Connection and supply of water and electricity

Significant judgement was exercised in determining whether the connection and supply of water/electricity are considered to be two distinct performance obligations as that can have a considerable impact on how the related revenue is recognised. Management considered the detailed criteria of IFRS 15 Revenue from Contracts with Customers along with a variety of factors including, but not limited to, the connection and supply agreements, tariffs charged, etc.

In light of the facts and circumstances, management believes that connection and supply are two distinct performance obligations, hence revenue should be recognised as and when each one of the obligations are satisfied. For connection fees, the obligation is fulfilled once the connection is complete after which the Group has the right to receive consideration in full. As a result, revenue related to connection charges is recognised upon initiation of the connection at a point in time. Since the obligation of supply of water/electricity is fulfilled as the product/service is provided, related revenue is also recognized at a point in time upon supply. Conversely if the connection and supply were considered to be one performance obligation, the related connection charges would be deferred over the useful life of the assets installed to provide the connection.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Significant judgements in applying accounting policies continued

Power and Water Purchase Agreements

a) Service concession agreements

Some of the Group’s foreign subsidiaries have entered into Power Purchase Agreements (“PPA”) with offtakers in countries where they are operating. Management has determined these arrangements to be service concession arrangements under IFRIC 12 - Service Concession Arrangements by applying the requirements of the interpretation to the facts and circumstances in each location. The Group’s domestic (United Arab Emirates) subsidiaries have also entered into long term Power and Water Purchase Agreements (“PWPA”) and PPAs with EWEC. Based on the terms of the PWPAs/PPAs, management has determined that EWEC does not control any residual interest in the respective plants at the end of the term of the PWPAs/PPAs and therefore does not consider the PWPAs/PPAs to fall within the scope of IFRIC Interpretation 12 Service Concession Arrangements.

b) Operating lease commitments - Subsidiaries as lessor

As mentioned above, the Group’s domestic subsidiaries have entered into PWPAs/PPAs. Under the PWPAs/PPAs, the subsidiaries receive payment for the provision of power and water capacity, whether or not the offtaker EWEC requests power or water output (“capacity payments”), and for the variable costs of production (“energy and water payments”). The Group has determined the PWPAs/PPAs are lease arrangements as management considers that the Group retains the principal risks and rewards of ownership of the plants, based on management’s estimate of the useful life and residual value of the assets, and so accounts for the PWPAs/PPAs as operating leases. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset. When there are amendments to the PWPAs/PPAs, management reconsiders whether the Group continues to retain the principal risks and rewards of ownership of the plants.

Equity or liability classification

Interest free loans are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement and criteria of IAS 32. Unsecured amounts without defined interests and repayment terms are treated as equity contribution.

Capitalisation of project costs

a) Transmission network

In determining the timing of recording of assets and commencing the depreciation, management has considered the principles laid down in IAS 16 - Property, Plant and Equipment, the time of the completion of the commissioning and the time when the asset is ready for its intended use i.e. it is probable that economic benefits will flow to the Group and assets are operational and under the use of the Group.

Project costs, related to the transmission network of the Group, capitalised under capital work in progress are transferred to the relevant category of property, plant and equipment when the following criteria are met:

- a) the distribution network is connected to the transmission network,
- b) the project capitalisation form is approved by the asset management directorate, and
- c) the provisional acceptance certificate is issued to the contractor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Significant judgements in applying accounting policies continued

Capitalisation of project costs continued

a) Transmission network continued

Any revision in the engineer's estimates are adjusted prospectively with the recorded project costs. The Group recognises funded transmission and despatch projects once the respective work is completed, all the regulatory approvals are obtained from the Regulation and Supervision Bureau, the transmission and despatch asset transfer agreements are signed and the transmission and despatch assets are made available for use. The Group signed a Memorandum of Understanding (MOU) with the transferor in prior years. The MOU states that the transferor bears the risks and title to transmission and despatch project construction assets until successful completion of the commissioning of the respective stage. Accordingly, management has determined that the transfer of these transmission and despatch project construction assets have not taken place in accordance with the accounting policies of the Group, MOU's and asset transfer agreement.

b) Major development projects - Distribution assets

In determining the timing of recording of these distribution assets which are received from various developers and commencing the depreciation, management has considered the principles laid down in IAS 16, the time of completion of commissioning and the time when the assets are ready for its intended use i.e. it is probable that economic benefits flow to the Group given its exclusive distribution license and the distribution assets are operational and under the use of the Group.

During the year, management has considered the detailed criteria of IAS 16 and reviewed the transfer agreements and the correspondences with developers and consultants of these projects to obtain the justification for their recognition in the Group's consolidated financial statements. Management believes that these distribution assets meet the conditions mentioned in IAS in terms of capitalising these distribution assets and consequently depreciating them from the date when these distribution assets were available for use.

Capitalisation of staff costs

Management determines whether the Group will recognise an asset from the staff costs incurred to fulfil a project if such costs meet all the following criteria:

- a) the costs relate directly to a project that the Group can specifically identify;
- b) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- c) the costs are expected to be recovered.

Such staff costs will be amortised on a systematic basis over the useful life of the asset recognised.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Significant judgements in applying accounting policies continued

Assessment of fair value of investments carried through other comprehensive income

On 15 February 2023, the Group signed a Share Transfer Deed with Abu Dhabi National Oil Company PJSC (“ADNOC”), whereby ADNOC transferred 5% shares in ADNOC Gas plc to the Group without any consideration. This transfer was a recognition of the long-standing strategic partnership between the two companies, actively collaborating in the past and continuing to work closely to drive the energy transition in the UAE, with a focus on renewable energy and other low-carbon solutions.

In the absence of any specific conditions or any current or future obligations stipulated in the Share Transfer Deed, management have assessed all relevant facts to reach a judgement on the appropriate timing of recognition of the receipt of shares as a gain in the profit and loss statement. Management have concluded that it is appropriate to consider it to relate to achievements of the partnership to date, and account for the one-time gain in the consolidated profit or loss within “gain on recognition of an investment” on receipt.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see policy for financial assets sections in Note 2.2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment testing of non-financial assets

Management determines at each reporting date whether there are any indicators of impairment relating to the Group’s property, plant and equipment and intangible assets including exploration and evaluation assets, power (and water) purchase agreements and distribution licenses. A broad range of internal and external factors are considered as part of the indicator review process.

The Group’s impairment testing for non-financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use (VIU) and fair value less costs of disposal (FVLCD). VIU for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. FVLCD for relevant cash generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to commodity price assumptions, regulatory framework regimes, foreign exchange rate assumptions, inflation and discount rates used in the cash flow models.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Key sources of estimation uncertainty continued

Estimation of oil and gas reserves

Oil and gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards. The Group’s annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties. All reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes in oil and gas reserves are an important indication of impairment or reversal of impairment and may result in subsequent impairment charges or reversals as well as affecting the unit-of-production depreciation charge in the profit or loss.

Provision for decommissioning

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group’s facilities and properties. The ultimate decommissioning costs or asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices. The provision is most sensitive to commodity price assumptions, foreign exchange rate assumptions, inflation and discount rates used in the cash flow models.

Allowance for expected credit losses

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- a) An actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- b) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- c) An actual or expected significant deterioration in the operating results of the debtor;
- d) Significant increases in credit risk on other financial instruments of the same debtor;
- e) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Allowance for slow moving and obsolete inventories

Management assess loss (if any) on items of inventory on account of slow moving and obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a future consumption of the item. Based on the factors, management has identified inventory items as slow moving and obsolete to calculate the allowance for slow moving and obsolete inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Key sources of estimation uncertainty continued

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived based on quoted prices from active markets, their fair value is determined using valuation techniques including discounted cash flows models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Income taxes

The Group recognises the net future tax benefit to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge is adjusted where management believes that the useful lives differ from previous estimates. During the year ended 31 December 2024 and 2023, the Group has revised the estimated useful lives of certain items in property, plant, and equipment effective within the Transmission & Distribution and Water Solutions operating segment. The cumulative financial effect of this reassessment, assuming the assets are held until the end of their useful lives, is a decrease in depreciation expense of AED 573 million (2023: AED 231 million)

Other operating revenue – Transmission & Distribution

Other operating revenue for sales of water and electricity is calculated as the difference between its Maximum Allowed Revenue (MAR) determined in its Regulatory Control Framework (issued by the DoE) and revenue relating to supply and distribution of water and electricity from its customers. Accordingly, the Group recognised this revenue for supply and distribution of water and electricity based on those rights and rewards that are confirmed during the period.

Sewerage services revenue – Water Solutions

The revenue from sewerage services is calculated as the difference between Maximum Allowed Revenue (MAR) and the regulated revenue. MAR is calculated in accordance with a formula as defined in the license document (issued by the DoE) that includes inputs stipulated by RC2. Inputs include management’s estimates of capital allowance accruals calculated as per the mechanism provided in RC2.

Unbilled revenue

The Group estimates the amount of unbilled consumption individually for each customer account based on historical meter readings. Unbilled consumption is calculated based on the average consumption for the period between the date of the last meter reading and the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (effective from 1 January 2024).
- Non-current Liabilities with Covenants (Amendments to IAS 1) (effective from 1 January 2024).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) (effective from 1 January 2024).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (effective from 1 January 2024).

These amendments had no material impact on the consolidated financial statements of the Group for the current and prior years but may affect the accounting for future transactions or arrangements.

2.5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS BUT NOT YET EFFECTIVE

The Group has not early adopted the following standards, interpretations or amendments that have been issued but not yet effective. These are not expected to have any material impact on the Group’s consolidated financial statements.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Lack of Exchangeability (Amendments to IAS 21) (effective from 1 January 2025).
- Amendments to the SASB standards to enhance their international applicability (effective from 1 January 2025).
- Annual improvements to IFRS Accounting Standards- Volume 11 (effective from 1 January 2026).
- Amendments IFRS 9 and IFRS 7 classification and measurement of financial instruments (effective from 1 January 2026).
- IFRS 18 Presentation and Disclosures in Financial Statements (effective from 1 January 2027).
- IFRS 19 Presentation without Public Accountability: Disclosures (effective from 1 January 2027).
- IFRS S1 General requirements for Disclosure of Sustainability-related Financial Information (effective date not yet decided by the regulator in the United Arab Emirates).
- IFRS S2 Climate-related Disclosures (effective date not yet decided by the regulator in the United Arab Emirates).

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statement of the Group.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

3 REVENUE

3.1 Revenue from generation of power and water

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Operating lease revenue	5,939	5,672
Revenue from operating financial assets (note 13)	1,498	1,565
Energy payments and other related revenue	1,775	1,693
Fuel revenue*	2,664	3,208
Others	539	577
	<u>12,415</u>	<u>12,715</u>

*Fuel revenue represents reimbursements from the offtakers of the power and water subsidiaries for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements.

All revenue from generation of power and water is recognised at a point in time, with the exception of revenue from operating financial assets and development fee revenue within “other revenue” which is recognised over time.

3.2 Revenue from transmission and distribution of power and water

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
TUOS charges for unlicensed activities	1,069	1,078
Revenue from supply and distribution of power and water	15,557	15,017
Distribution connection and meter installation fees	331	285
Water coupons	92	81
Other operating revenue	17,442	14,493
	<u>34,491</u>	<u>30,954</u>

Other operating revenue for sales of water and electricity is calculated as the difference between its Maximum Allowed Revenue (“MAR”) determined in its Regulatory Control Framework (issued by the DoE) and revenue relating to supply and distribution of water and electricity from its customers. Accordingly, the Group recognised this revenue relating to supply and distribution of water and electricity based on those rights and rewards that are confirmed during the year. The computation of MAR is subject to Regulatory Control Mechanisms provided by DoE which are amended over the years and revenue is subject to judgements, interpretations and assumptions in respect of notified items, allowable deductions, performance incentives and correction factors.

All revenue from transmission and distribution of power and water is recognised at a point in time.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

3 REVENUE continued

3.3 Revenue from oil and gas

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Gross oil and gas revenue	5,049	7,035
Less: royalties	(266)	(334)
	<u>4,783</u>	<u>6,701</u>
Gas storage revenue	686	1,076
Net processing income	169	195
Others	275	250
	<u>5,913</u>	<u>8,222</u>
Oil and gas net revenue in discontinued operations (note 35)	(136)	(174)
	<u>5,777</u>	<u>8,048</u>

All revenue from oil and gas is recognised at a point in time, with the exception of gas storage revenue which is recognised over time.

3.4 Revenue from water solutions

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Sewerage services	2,479	-

Revenue is subject to Maximum Allowed Revenue (“MAR”) for sewerage services, calculated in accordance with the formula as defined in the License and Regulatory Control mechanisms document (issued by the DoE).

The computation of MAR is subject to Regulatory Control Mechanisms provided by DoE which are amended over the years and revenue is subject to judgements, interpretations and assumptions in respect of notified items, allowable deductions, performance incentives and correction factors

All revenue for sewerages services is recognised at a point in time.

Revenue from sewerage services commenced with TAQA Water Solutions (formerly Sustainable Water Solutions Holding Company (SWS Holding)) being transferred under the common control of the Company (note 34).

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

4 OPERATING EXPENSES

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Salaries and related expenses	2,368	1,866
Repairs, maintenance and consumables used	3,023	3,158
Bulk supply tariff (note 29)	21,652	18,851
Fuel expenses	2,675	3,309
Charges by operating and maintenance contractors	982	887
Oil and gas operating costs	514	650
Transportation costs	323	453
Insurance costs	191	189
Expected credit loss movements	414	430
Others	315	261
	-----	-----
	32,457	30,054
Operating expenses in discontinued operations (note 35)	(18)	(81)
	-----	-----
	<u>32,439</u>	<u>29,973</u>

5 DEPRECIATION, DEPLETION AND AMORTISATION

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Depreciation of property, plant and equipment and depletion of oil and gas assets (note 12)	8,732	8,002
Amortisation of intangible assets (note 14)	1,253	1,251
	-----	-----
	9,985	9,253
Depreciation, depletion and amortisation in discontinued operations (note 35)	(41)	(41)
	-----	-----
	<u>9,944</u>	<u>9,212</u>

6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Salaries and related expenses	1,778	1,751
Professional fees and business development expenses	973	529
IT and communications	285	209
Corporate social contributions	3	3
Others	501	482
	-----	-----
	3,540	2,974
Cost recoveries from JV partners	(668)	(607)
	-----	-----
	2,872	2,367
General and administrative expenses in discontinued operations (note 35)	(11)	(33)
	-----	-----
	<u>2,861</u>	<u>2,334</u>

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

7 FINANCE COSTS

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Finance costs relating to bonds and global medium term notes	1,264	1,402
Finance costs relating to interest bearing loans and borrowings and Islamic loans	1,531	1,164
Interest credit on interest rate swaps	(215)	(170)
Asset retirement obligations accretion expense (note 26)	442	449
Lease liability interest	57	28
	<u>3,079</u>	<u>2,873</u>
Finance costs in discontinued operations (note 35)	-	(1)
	<u>3,079</u>	<u>2,872</u>

8 OTHER INCOME

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Deferred income - grant released	41	45
(Loss) gain on sale of land, oil and gas and other assets	(3)	11
Asset retirement obligation relief deed income	56	30
Fines, penalties and compensation	18	25
Claim settlement	77	-
Revenue diversity function	70	-
Insurance claim	38	-
Other	254	278
	<u>551</u>	<u>389</u>

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

9 INCOME TAX

The major components of income tax expense (credit) for the years ended 31 December 2024 and 2023 are:

	31 December	
	2024	2023
	AED million	AED million
Consolidated profit or loss		
<i>Current income tax:</i>		
Current income tax charge	1,371	1,072
Adjustment in respect of income tax of previous years	(144)	(56)
<i>Deferred income tax:</i>		
Relating to origination and reversal of temporary differences	444	317
Adjustment in respect of deferred tax of previous years	(15)	98
Relating to enactment of UAE corporate income tax*	(33)	1,198
<i>Other tax related expenses:</i>		
Pillar II income taxes	-	-
	1,623	2,629

*The deferred income tax expense for the year ended 31 December 2023 of AED 1,198 million related to the initial recognition of a deferred tax liability in respect of Purchase Price Allocation (PPA) adjustments carried on the Group’s consolidated statement of financial position and attributable to certain UAE-based Group entities. While the PPA adjustments related to a corporate transaction completed in prior accounting periods, the deferred tax liability arises due to the introduction of the UAE CT Law in the UAE, and on the basis that the UAE-based entities to which those PPA adjustments are attributed should be subject to UAE CT in the future.

The reconciliation between tax expense (credit) and the product of accounting profit including discontinued operations profit multiplied by the applicable statutory tax rate for the years ended 31 December 2024 and 2023 is as follows:

	31 December	
	2024	2023
	AED million	AED million
Profit before tax	8,956	19,449
Non-taxable profit (including income in non-taxable jurisdictions)	(66)	(15,637)
Total taxable profit	8,890	3,812
Applicable tax charge at		
statutory rates – weighted average of 25% (2023: 52%)	1,820	1,998
Adjustment in respect of income tax of previous years	(144)	(56)
Adjustment in respect of deferred income tax of previous years	(15)	98
Relating to enactment of UAE corporate income tax	(33)	1,198
Withholding taxes	15	28
Tax incentives	-	(14)
Special production taxes on upstream activities	(161)	(70)
Tax effect on non deductible expenses	(53)	(187)
Other	194	(366)
Income tax expense reported in the profit or loss	1,623	2,629

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

9 INCOME TAX continued

Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2024	2023	2024	2023
	AED million	AED million	AED million	AED million
<i>Deferred tax assets:</i>				
Temporary difference on property, plant and equipment	204	454	268	288
Temporary difference arising on asset retirement obligations	3,633	3,794	97	175
Tax losses	871	743	(146)	(33)
Petroleum revenue tax temporary differences	978	1,231	241	113
Others	(70)	(124)	(55)	(35)
	<u>5,616</u>	<u>6,098</u>	<u>405</u>	<u>508</u>
<i>Deferred tax liabilities:</i>				
Temporary difference on property, plant and equipment	1,161	1,301	(32)	(48)
Relating to enactment of UAE corporate income tax	1,165	1,198	(33)	1,198
Others	17	(82)	(12)	(47)
	<u>2,343</u>	<u>2,417</u>	<u>(77)</u>	<u>1,103</u>

Based on the latest available forecast of future profits, the Group has determined AED 1,906 million of tax losses (2023: AED 2,390 million) are unlikely to be utilised in the foreseeable future. Hence, no deferred tax benefit has been recognised, though these losses remain available for offset against future taxable profits. Unutilised tax losses of AED nil (2023: nil) will expire in the next five year period.

10 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Basic earnings per share amounts are calculated by dividing earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the earnings attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

The following reflects the profit and share data used in the earnings per share computations:

	31 December	
	2024	2023
Profit for the year attributable to equity holders of the parent from continuing and discontinued operations (AED million)	7,068	16,647
Weighted average number of ordinary shares issued (million)	112,434	112,434
Basic earnings per share from (AED)	0.06	0.15

No figure for diluted earnings per share has been presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 OPERATING SEGMENT INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO) of TAQA.

For this purpose, the Group is organised into business units based on their geography, products and services, and has four reportable operating segments as follows:

- Power and Water Generation Segment
- Power and Water Transmission & Distribution Segment
- Oil and Gas Segment
- Water Solutions Segment (note 34)

Power and Water Generation Segment

This segment is engaged in generation of electricity and production of desalinated water for supply in UAE and generation of electricity in Morocco, India, Ghana, and Saudi Arabia. It also includes investments in joint ventures and associates which hold a number of assets focused in renewable energy and sustainable development in various countries.

Power and Water Transmission & Distribution Segment

This segment is engaged in transmission and distribution of water and electricity from the generation and desalination plants in the UAE.

Oil and Gas Segment

This segment is engaged in Upstream and Midstream oil and gas activities in Canada and Netherlands and Upstream oil and gas activities in United Kingdom and Kurdistan, Iraq.

Water Solutions Segment

This segment is engaged in overseeing the operation and maintenance of waste water facilities, as well as managing water collection, treatment, supply, and sewerage services in the UAE. A portion of revenue is earned from the Power and Water Transmission & Distribution segment.

Several operating segments have been aggregated to form the above reportable operating segments which are provided below:

Power and Water Generation – UAE	}	Generation
Power and Water Generation – Others		
Power and Water Transmission & Distribution – UAE	}	Transmission & Distribution
Oil and Gas – North America		
Oil and Gas – Europe	}	Oil & Gas
Oil and Gas – Iraq		
Water Solutions – UAE	—	Water Solutions

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on ‘profit or loss for the period’ as detailed in the following table. Interest bearing loans and borrowings and Islamic loans except for the subsidiaries with project financing arrangements are managed on a group basis and are not allocated to operating segments.

The majority of the Group’s revenues, profits, and assets relate to its operations in the United Arab Emirates.

Investment in certain associates with activities other than the reportable operating segments and investments carried at fair value through other comprehensive income are managed on a group basis and are therefore not allocated to operating segments.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

11 OPERATING SEGMENT INFORMATION continued

The following table presents revenue and profit information for the Group’s operating segments:

	<i>Transmission & Distribution AED million</i>	<i>Generation AED million</i>	<i>Water Solutions AED million</i>	<i>Oil & Gas AED million</i>	<i>Adjustments, eliminations & unallocated AED million</i>	<i>Consolidated AED million</i>
Year ended 31 December 2024:						
Revenue from external customers	34,491	12,415	2,479	5,777	-	55,162
Operating expenses	(23,937)	(5,132)	(774)	(2,618)	22	(32,439)
Depreciation, depletion, and amortisation	(3,524)	(4,496)	(753)	(1,189)	18	(9,944)
Gross profit	7,030	2,787	952	1,970	40	12,779
General and administrative expenses	(1,374)	(468)	(121)	(218)	(680)	(2,861)
Finance costs	(3)	(1,570)	(127)	(440)	(939)	(3,079)
Net foreign exchange (losses) gains	-	(33)	-	19	(24)	(38)
Share of results of associates and joint ventures	-	440	-	-	(56)	384
Other income	280	225	(3)	86	(37)	551
Interest income	164	185	21	161	11	542
Dividend income from an investment	-	-	-	-	612	612
Income tax expense	(370)	(518)	(64)	(578)	(93)	(1,623)
Profit from discontinued operations	-	-	-	66	-	66
Profit for the year	5,727	1,048	658	1,066	(1,166)	7,333
Non-controlling interests	-	(233)	(32)	-	-	(265)
Profit for the year Attributable to equity holders of the parent	5,727	815	626	1,066	(1,166)	7,068
	<i>Transmission & Distribution AED million</i>	<i>Generation AED million</i>	<i>Water Solutions AED million</i>	<i>Oil & Gas AED million</i>	<i>Adjustments, eliminations & unallocated AED million</i>	<i>Consolidated AED million</i>
Year ended 31 December 2023:						
Revenue from external customers	30,954	12,715	-	8,048	-	51,717
Operating expenses	(20,950)	(5,180)	-	(3,862)	19	(29,973)
Depreciation, depletion, and amortisation	(3,624)	(4,515)	-	(1,102)	29	(9,212)
Gross profit	6,380	3,020	-	3,084	48	12,532
General and administrative expenses	(1,280)	(406)	-	(177)	(471)	(2,334)
Finance costs	(3)	(1,629)	-	(393)	(847)	(2,872)
Net foreign exchange gains (losses)	-	38	-	13	(106)	(55)
Share of results of associates and joint ventures	-	182	-	-	9	191
Other income	180	171	-	50	(12)	389
Interest income	154	160	-	138	46	498
Gain on recognition of an investment	-	-	-	-	10,784	10,784
Dividend income from an investment	-	-	-	-	298	298
Income tax (expense) credit	(1,036)	(454)	-	(1,408)	269	(2,629)
Profit from discontinued operations	-	-	-	18	-	18
Profit for the year	4,395	1,082	-	1,325	10,018	16,820
Non-controlling interests	-	(173)	-	-	-	(173)
Profit for the year Attributable to equity holders of the parent	4,395	909	-	1,325	10,018	16,647

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

11 OPERATING SEGMENT INFORMATION continued

The following table presents segment assets and liabilities of the Group’s operating segments:

	<i>Transmission & Distribution AED million</i>	<i>Generation AED million</i>	<i>Water Solutions AED million</i>	<i>Oil & Gas AED million</i>	<i>Adjustments, eliminations & unallocated AED million</i>	<i>Consolidated AED million</i>
At 31 December 2024						
Property, plant and equipment	84,740	26,318	18,569	5,347	(32)	134,942
Operating financial assets	-	7,821	-	-	-	7,821
Investment in associates, joint ventures and related balances	797	15,020	-	-	208	16,025
Intangible assets	4,755	9,473	1	68	-	14,297
Investments carried at FVOCI	-	-	-	-	13,469	13,469
Deferred tax assets	-	10	-	5,558	48	5,616
Other assets	6,150	9,801	632	1,876	6,184	24,643
Segmental assets	96,442	68,443	19,202	12,849	19,877	216,813
Segmental liabilities	19,654	35,636	6,531	14,412	35,756	111,989
Other disclosures at 31 December 2024						
Additions- property, plant and equipment	3,994	2,340	797	1,062	-	8,193
Additions- intangible assets	-	-	1	18	5	24
	<i>Transmission & Distribution AED million</i>	<i>Generation AED million</i>	<i>Water Solutions AED million</i>	<i>Oil & Gas AED million</i>	<i>Adjustments, eliminations & unallocated AED million</i>	<i>Consolidated AED million</i>
At 31 December 2023						
Property, plant and equipment	82,913	28,075	-	4,905	(17)	115,876
Operating financial assets	-	8,786	-	-	-	8,786
Investment in associates, joint ventures and related balances	797	7,109	-	-	303	8,209
Intangible assets	4,755	10,710	-	132	-	15,597
Investments carried at FVOCI	-	-	-	-	11,858	11,858
Deferred tax assets	-	-	-	5,996	102	6,098
Other assets	4,995	9,092	-	1,726	11,461	27,274
Assets classified as held for sale	-	-	-	942	-	942
Segmental assets	93,460	63,772	-	13,701	23,707	194,640
Liabilities directly associated with assets Classified as held for sale	-	-	-	346	-	346
Segmental liabilities	20,403	36,776	-	16,385	31,981	105,545
Other disclosures at 31 December 2023						
Additions- property, plant and equipment	3,676	716	-	1,332	2	5,726
Additions- intangible assets	-	-	-	124	15	139

The accounting policy information about operating segments is the same as that described as part of the material accounting policy information

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

11 OPERATING SEGMENT INFORMATION continued

Geographical information

The following tables present revenue, certain asset information relating to the Group based on geographical location of the subsidiaries at 31 December:

	<i>UAE</i> <i>AED million</i>	<i>North America</i> <i>AED million</i>	<i>Europe</i> <i>AED million</i>	<i>Africa</i> <i>AED million</i>	<i>Others</i> <i>AED million</i>	<i>Total</i> <i>AED million</i>
2024						
Revenue	45,128	2,078	3,699	3,893	364	55,162
Non-current assets	145,377	4,076	1,231	6,463	261	157,408
2023						
Revenue	39,013	2,618	5,431	4,483	172	51,717
Non-current assets	128,315	3,957	1,399	7,415	227	141,313

Non-current assets for this purpose consist of property, plant and equipment, operating financial assets, intangible assets and other assets.

Other information

The Group has one major customer that contributed more than 10% towards the Group’s revenue during the year ended 31 December, as presented in the following table:

	<i>Transmission & Distribution</i> <i>AED million</i>	<i>Generation</i> <i>AED million</i>	<i>Water Solutions</i> <i>AED million</i>	<i>Oil & Gas</i> <i>AED million</i>	<i>Adjustments, eliminations & unallocated</i> <i>AED million</i>	<i>Consolidated</i> <i>AED million</i>
2024						
Customer 1	804	8,165	-	-	-	8,969
	<u>804</u>	<u>8,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,969</u>
2023						
Customer 1	1,095	7,901	-	-	-	8,996
	<u>1,095</u>	<u>7,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,996</u>

Abu Dhabi National Energy Company PJSC (“TAQA”)

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12 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings, equipment and plant and machinery AED million</i>	<i>Oil and gas assets AED million</i>	<i>Capital spares AED million</i>	<i>Capital work in progress AED million</i>	<i>Right of use assets AED million</i>	<i>Total AED million</i>
2024						
Cost:						
At 1 January 2024	189,325	20,431	278	12,212	993	223,239
Transfer of entities under common control (note 34)	32,199	-	173	717	-	33,089
Additions	3,544	1,055	108	4,448	262	9,417
Revision of ARO	(13)	128	-	-	-	115
Disposals of assets	(856)	(2,098)	(16)	(26)	(53)	(3,049)
Transfers	2,192	-	-	(1,781)	-	411
Exchange adjustment	(249)	(181)	-	3	(1)	(428)
At 31 December 2024	226,142	19,335	543	15,573	1,201	262,794
Depreciation and depletion:						
At 1 January 2024	89,792	16,241	169	-	698	106,900
Transfer of entities under common control (note 34)	14,363	-	167	-	-	14,530
Charge for the year (note 5)	7,350	1,082	38	-	262	8,732
Disposals of assets	(726)	(1,800)	(8)	-	(21)	(2,555)
Transfers	(8)	-	8	-	-	-
Exchange adjustment	64	180	-	-	1	245
At 31 December 2024	110,835	15,703	374	-	940	127,852
Net carrying amount:						
At 31 December 2024	115,307	3,632	169	15,573	261	134,942
2023						
Cost:						
At 1 January 2023	186,702	19,066	244	9,792	860	216,664
Additions	936	1,252	30	3,370	138	5,726
Revision of ARO	-	281	-	-	-	281
Disposals of assets	(113)	(258)	-	-	(6)	(377)
Transfers	1,699	-	4	(948)	-	755
Exchange adjustment	101	90	-	(2)	1	190
At 31 December 2023	189,325	20,431	278	12,212	993	223,239
Depreciation and depletion:						
At 1 January 2023	83,036	15,482	147	-	460	99,125
Charge for the year (note 5)	6,787	948	23	-	244	8,002
Disposals of assets	(69)	(264)	(1)	-	(6)	(340)
Exchange adjustment	38	75	-	-	-	113
At 31 December 2023	89,792	16,241	169	-	698	106,900
PPE classified as held for sale (note 35)	-	(463)	-	-	-	(463)
Net carrying amount:						
At 31 December 2023	99,533	3,727	109	12,212	295	115,876

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

12 PROPERTY, PLANT AND EQUIPMENT continued

Property, plant and equipment with a carrying amount of AED 24,956 million (2023: AED 27,537 million) are pledged as security for the related loans.

Oil and gas assets - impairment approach and key assumptions

The calculation of recoverable amount for oil and gas assets is based upon the following key assumptions:

- Reserve and resource volumes;
- Inflation rates;
- Cash flows relating to gas storage;
- Discount rates;
- Foreign exchange rates; and
- Commodity prices.

It is management's view that the impairment calculations are not materially sensitive to reasonable possible changes in the assumptions. In the impairment calculations, assumptions are also made regarding the cash flows from each asset's ultimate disposal.

Reserve and resource volumes

Reserve and resource volumes form the basis of the production profiles within the discounted cash flow models. The Group's annual oil and gas reserves (proved, probable and possible) and resources review process includes an external audit process conducted by appropriately qualified parties. Where significant, the contingent resources within a segment are also reviewed and reported on. The data generated for each field and location takes into consideration the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets.

Inflation rates

Estimates are obtained from published indices for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publicly available. The Company assumed inflation rates of 2% in perpetuity (2023: 2% to 4%).

Cash flows relating to gas storage

Cash flows relating to gas storage are based on assumptions on delivery capacity, injection capacity, working volumes and expected availability. The assumptions are supported by non-binding expressions of interests on demand for working volumes.

Discount rates

Discount rates used reflect the estimated weighted average cost of capital rates for potential acquirer group companies developed for each of the locations. The assets are valued on a FVLCD methodology and therefore post-tax discount rates ranging from 4.3% to 8.6% (2023: 4.3% to 20.0%), were used to calculate the recoverable amounts at the reporting date.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

12 PROPERTY, PLANT AND EQUIPMENT continued

Oil and gas assets - impairment approach and key assumptions continued

Foreign exchange rates and commodity prices

A summary of the 2024 key assumptions are provided below:

	2025	2026	2027	2028	2029
Commodity prices					
WTI (US\$/bbl) ⁽¹⁾	65.00	65.00	65.00	65.00	65.00
AECO (US\$/mmbtu) ⁽¹⁾	1.80	2.20	2.30	2.30	2.40
Brent (US\$/bbl) ⁽¹⁾	70.00	70.00	70.00	70.00	70.00
Summer/Winter gas spread (Euro/MWh)	2.50	2.50	2.50	2.50	2.50
Foreign exchange rates					
CAD\$/US\$	1.34	1.34	1.34	1.34	1.34
EUR/US\$	0.90	0.90	0.90	0.90	0.90
GBP/US\$	0.80	0.80	0.80	0.80	0.80

⁽¹⁾ Prices are escalated at 2% thereafter.

Power and water assets - impairment approach and key assumptions

The recoverable amount for power and water assets is based on FVLCD. In determining FVLCD, a discounted cash flow valuation model was used, incorporating market based assumptions. The key assumptions for FVLCD calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. Management believes it is appropriate to use cash flow forecasts over such periods due to the long term power and water purchase agreements associated with the facilities.

The calculation of FVLCD for power and water generation assets is most sensitive to the following assumptions:

- Future cash flows throughout the term of the current PWPAs;
- Inflation rates; and
- Discount rates.

Future cash flows throughout the term of the current PWPAs

The Group's expected future cash flows have been estimated based on work performed by an internal expert. In doing so, management has considered key trends in the relevant power and water sectors and the recovery of the residual values.

Inflation rates

Estimates are obtained from published indices for the countries from which products and services are originated. Forecast figures are used if data is publicly available. The Group assumed inflation rates of 2% in perpetuity (2023: 2% to 5%).

Discount rates

Discount rates used represent the current market assessment of the risks specific to the assets, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The assets are valued using a FVLCD methodology, future cash flows are discounted using post-tax rates ranging from 3.9% to 10.0% (2023: 3.9% to 10.0%).

Abu Dhabi National Energy Company PJSC ("TAQA")

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13 OPERATING FINANCIAL ASSETS

The movement in operating financial assets is as follows:

	31 December	
	2024	2023
	AED million	AED million
At 1 January	8,786	9,170
Recognised during the year (note 3.1)	1,498	1,565
Consideration received during the year	(1,923)	(2,029)
Movement in expected credit loss (ECL) provision	(436)	(65)
Exchange (losses) gain recognised in the consolidated income statement	(104)	145
	7,821	8,786

Analysed in the consolidated statement of financial position as follows:

	31 December	
	2024	2023
	AED million	AED million
Non-current portion	6,601	7,573
Current portion	1,220	1,213
	7,821	8,786

TAQA manages three concession contracts as defined by IFRIC 12, mainly covering electricity generation. The foreign subsidiaries, namely TAQA Morocco (formerly Jorf Lasfar Energy Company SCA (JLEC)), TAQA Neyveli Power Company Pvt Ltd (Neyveli) and Takoradi International Company (Takoradi), have entered into power purchase agreements (PPA) with offtakers in the countries where they are operating. Under the PPA the foreign subsidiaries undertake to make available, and the offtakers undertake to purchase, the available net capacity of the plant for a period of time in accordance with various agreed terms and conditions as specified in the PPA as follows:

TAQA Morocco:

The subsidiary had the right of possession for the site and the plant units (units 1 to 4) for a period of 30 years ending in September 2027. On 24 January, 2021 TAQA Morocco with Office National de l'Electricité ("ONE") signed an extension to the PPA for a further 17 years from 2027 to 2044. At the end of the PPA, the ownership of the site and the plants will be transferred to the offtaker. During 2009, ONE and TAQA Morocco signed a strategic partnership agreement to extend the capacity of the plant by constructing two new units (units 5&6) with an approximate gross capacity of 350 MW each. In June 2014, the two new units were completed and a 30 year PPA ending 2044 was entered into.

Neyveli:

The subsidiary has a 30 year PPA with the offtaker ending in December 2032. On the expiry date of the PPA, the offtaker has the option to acquire the plant at a price equal to 50% of the terminal value as defined in the PPA.

Takoradi:

The subsidiary had originally signed a 25 year PPA with the offtaker ending in March 2024. On expiry date of the PPA, the plant is to be transferred to the offtaker at a nominal amount. The expansion project completed in 2015 has increased the existing 220 MW capacity to 330 MW. As a result of the expansion, the PPA term has been extended to 2039.

Operating financial assets with a carrying amount of AED 7,634 million (2023: AED 8,590 million) are pledged as security for the related borrowings in the subsidiaries.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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14 INTANGIBLE ASSETS

	<i>Exploration and evaluation assets AED million</i>	<i>Distribution licences AED million</i>	<i>Power (and water) purchase agreements AED million</i>	<i>Connection rights AED million</i>	<i>Other AED million</i>	<i>Total AED million</i>
2024						
Cost:						
At 1 January 2024	8	4,755	14,170	676	278	19,887
Additions	3	-	-	-	21	24
Derecognised during the year	(1)	-	-	-	(68)	(69)
Exchange adjustment	(2)	-	-	-	-	(2)
At 31 December 2024	8	4,755	14,170	676	231	19,840
Amortisation:						
At 1 January 2024	-	-	3,591	675	24	4,290
Amortisation for the year (note 5)	-	-	1,233	44	19	1,296
Intercompany eliminations	-	-	-	(43)	-	(43)
At 31 December 2024	-	-	4,824	676	43	5,543
Net carrying amount:						
At 31 December 2024	8	4,755	9,346	-	188	14,297
	<i>Exploration and evaluation assets AED million</i>	<i>Distribution licences AED million</i>	<i>Power (and water) purchase agreements AED million</i>	<i>Connection rights AED million</i>	<i>Tolling agreement and other AED million</i>	<i>Total AED million</i>
2023						
Cost:						
At 1 January 2023	4	4,755	14,170	676	981	20,586
Additions	6	-	-	-	133	139
Derecognised during the year	(1)	-	-	-	(836)	(837)
Exchange adjustment	(1)	-	-	-	-	(1)
At 31 December 2023	8	4,755	14,170	676	278	19,887
Amortisation:						
At 1 January 2023	-	-	2,561	467	847	3,875
Amortisation for the year (note 5)	-	-	1,030	251	13	1,294
Intercompany eliminations	-	-	-	(43)	-	(43)
Derecognised during the year	-	-	-	-	(836)	(836)
At 31 December 2023	-	-	3,591	675	24	4,290
Net carrying amount:						
At 31 December 2023	8	4,755	10,579	1	254	15,597

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14 INTANGIBLE ASSETS continued

Distribution licenses

The Distribution companies (DisCos) in the UAE have licence agreements with the DoE. These licenses commenced in 1999 and gave the DisCos the exclusive right to distribute power and water throughout the Emirate of Abu Dhabi. These licenses can only be revoked after a 25 year notice period. As a result, the licenses are considered as an indefinite lived intangible asset and is subject to an annual impairment test. The key assumption for the impairment calculations are detailed below and are not materially sensitive.

- *Discount rate*

The fair value of each DisCo is determined based on the discounted free cash flows and the terminal value of the respective entity. The discount rate used represent the current market assessment of the risks specific to the assets, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The post-tax rate used was 6.40% (2023: 6.40%).

- *Inflation rates*

Estimates are obtained from published indices for the countries from which products and services are originated. Forecast figures are used if data is publicly available. The Company assumed long term growth rate of 2.0% (2023: 2.0%).

Power (and water) purchase agreements (P(W)PAs)

All the I(W)PP assets in the UAE has separate P(W)PAs in place with EWEC with an average term of 25 years. Under the respective P(W)PA, each asset is entitled to sell electricity and water (as applicable) generated by the facility to EWEC at the agreed contractual prices and EWEC is obliged to make capacity payments for both electricity and water as defined in the respective contracts. The key assumptions for the power and water asset VIU calculations are outlined in note 12 together with the approach management has taken in determining the value to ascribe to each.

Connection rights

The intangible assets arose from the transfer, made by a number of the Group's subsidiaries, of certain assets to a related party in accordance with the terms of individual agreements and represent the acquisition cost of the right of connection to the transmission systems at the connection sites for a period of 1 to 8 years. The connection rights cost were amortised on a straight line basis over the same period, being the expected period of benefit.

Tolling agreement

The Group has a fuel conversion services, capacity and ancillary services purchase agreement ("Tolling Agreement") relating to the acquisition of BE Red Oak Holding LLC. Under the terms of the Tolling Agreement, the Group is entitled to the economic rights (revenue from sale of electricity, capacity payments and any other ancillary services) of a power plant located in New Jersey, USA and the Group is obligated to supply the fuel and also make certain fixed and variable payments to the operator. The tolling agreement cost is being amortised on a straight line basis over the term of the agreement. The Tolling Agreement expired on 31 August 2022 and derecognised in the year ended 2023.

The fair value of the contract is based on estimated forward commodity prices, estimated correlation of commodity prices, volatility factors, and other typical option valuation parameters over the term of the tolling contract.

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15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

The Group has the following investments:

	<i>Country of incorporation ownership and operation</i>	2024	2023
<i>Associates</i>			
Massar Solutions PJSC (i)	UAE	49.0%	49.0%
Jubail Energy Company (ii)	Saudi Arabia	25.0%	25.0%
Sohar Aluminium Company LLC (iii)	Oman	40.0%	40.0%
Abu Dhabi Offshore Power Transmission Company Limited LLC (iv)	UAE	30.0%	30.0%
Mirfa Seawater Treatment and Supply Company MSTs LLC (v)	UAE	25.5%	25.5%
<i>Joint Venture</i>			
LWP Lessee LLC (vi)	USA	50.0%	50.0%
Taweelah RO Holding Company LLC (vii)	UAE	33.0%	33.0%
Fujairah Energy Holding Company LLC (viii)	UAE	67.0%	67.0%
Dhafrah Solar Energy Holding Company LLC (ix)	UAE	67.0%	67.0%
Tanajib Cogeneration Holding Company Limited (x)	UAE	49.0%	49.0%
Abu Dhabi Future Energy Company PJSC (xi)	UAE	43.0%	43.0%
Amiral Cogeneration Holding Company PJSC (xii)	UAE	51.0%	-
Mirfa 2 RO Operations and Maintenance Company LLC (xiii)	UAE	40.0%	-
Shuweihat RO Operations and Maintenance Company LLC (xiv)	UAE	40.0%	-
Talimarjan Operations and Maintenance LLC (xv)	Uzbekistan	40.0%	-
Talimarjan Power Plant 1 LLC (xvi)	Uzbekistan	40.0%	-
Tanajib Operations and Maintenance Company (xvii)	KSA	40.0%	-
Najim Jeera Operations and Maintenance Limited (xviii)	KSA	51.0%	-
Juranah Water Reservoir Company (xix)	KSA	35.0%	-
Hydro System Operations and Maintenance Company Limited (xx)	KSA	50.0%	-

- (i) Massar Solution PJSC (formerly Al Wathba Company for Central Services PJSC) is mainly involved in the leasing and management of vehicles and equipment.
- (ii) Jubail Energy Company (“Jubail”) is involved in the generation of electricity.
- (iii) Sohar Aluminium Company LLC (“Sohar”) is involved in the construction, ownership and operation of an aluminium smelter and an associated combined cycle power plant.
- (iv) Abu Dhabi Offshore Power Transmission Company Limited LLC is involved with the transmission of electricity.
- (v) Mirfa Seawater Treatment and Supply Company MSTs LLC is involved with the development and operation of a seawater treatment plant and transportation pipelines.
- (vi) LWP Lessee LLC (“Lakefield”) is involved in wind power.
- (vii) Taweelah RO Holding Company LLC is involved in the production of desalinated water.
- (viii) Fujairah Energy Holding Company LLC is involved in the generation of electricity.
- (ix) Dhafrah Solar Energy Holding Company LLC is involved in solar power generation.
- (x) Tanajib Cogeneration Holding Company Limited is involved in the generation of electricity and water desalination.
- (xi) Abu Dhabi Future Energy Company PJSC (“Masdar”) is involved in advancing the development and deployment of renewable energy to address global sustainability challenges.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

- (xii) Amiral Cogeneration Holding Company is involved in developing two new green field combined cycle gas turbine power projects.
- (xiii) Mirfa 2 RO Operations and Maintenance Company LLC will be involved in the management of a reverse osmosis desalination plant under construction.
- (xiv) Shuweihat RO Operations and Maintenance Company LLC will be involved in the management of a reverse osmosis desalination plant under construction.
- (xv) Talimarjan Operations and Maintenance LLC is involved in the management of a power plant.
- (xvi) Talimarjan Power Plant 1 LLC is involved in the generation of electricity.
- (xvii) Tanajib Operations and Maintenance Company is involved in the management of cogeneration power and water desalination plant.
- (xviii) Najim Jeera Operations and Maintenance Limited is involved in the management of an industrial steam and electricity cogeneration plant.
- (xix) Juranah Water Reservoir Company is involved in the storage, transmission and distribution of water.
- (xx) Hydro System Operations and Maintenance Company Limited is involved in the management of a water transmission and distribution system.

Despite percentage ownership other than 50%, TAQA recognises its investment in these entities as a joint venture. Through the entity's Articles of Association and Board structure, all shareholders have equal and joint ability to direct the relevant activities of this entity.

Summary information for associates and joint ventures:

	<i>Massar Solutions (i) AED million</i>	<i>Sohar Aluminium (iii) AED million</i>	<i>LWP Lessee (vi) AED million</i>	<i>Masdar (xi) AED million</i>	<i>Others AED million</i>
Year ended 31 December 2024:					
Revenue	408	3,682	169	2,485	519
Profit for the year	14	569	41	455	4
As at 31 December 2024:					
Non-current assets	755	3,476	678	46,385	27,210
Current assets	399	1,582	119	12,656	2,777
Non-current liabilities	(212)	(2,196)	(732)	(23,399)	(23,568)
Current liabilities	(381)	(763)	(10)	(5,424)	(5,366)
Net assets of Associate/JV	561	2,099	55	30,218	1,053
TAQA share of net assets	275	840	27	12,994	252
Equity accounting adjustments	(67)	(166)	94	48	1,728
Classified as loans/advances	-	-	-	(9,173)	(1,791)
TAQA carrying amount of investment	208	674	121	3,869	189

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15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

Summary information for associates and joint ventures:

	Massar Solutions (i) AED million	Sohar Aluminium (iii) AED million	LWP Lessee (vi) AED million	Taweelah RO (vii) AED million	Fujairah Energy (viii) AED million	Dhafrah Solar (ix) AED million	Masdar (xi) AED million	Others (ii,v,x) AED million
<i>Year ended 31 December 2023:</i>								
Revenue	390	3,373	142	176	400	158	3,191	49
Profit/(loss) for the year	17	366	33	76	5	83	(63)	2
<i>As at 31 December 2023:</i>								
Non-current assets	616	3,747	767	3,322	7,941	4,111	15,623	131
Current assets	397	1,396	107	249	585	798	5,632	112
Non-current liabilities	(167)	(2,437)	(826)	-	(6,406)	(3,641)	(7,186)	(65)
Current liabilities	(222)	(607)	(8)	(2,941)	(513)	(1,045)	(1,990)	(13)
Net assets of Associate/JV	624	2,099	40	630	1,607	223	12,079	165
TAQA share of net assets	306	840	20	126	643	89	5,194	41
Equity accounting adjustments	(3)	(167)	109	3	(180)	4	55	1,129
Classified as loans/advances	-	-	-	(73)	(274)	-	(1,424)	(1,105)
TAQA carrying amount of investment	303	673	129	56	189	93	3,825	65

The following entities at 31 December 2024 are included within ‘Others’ and are currently individually immaterial:

- Jubail Energy Company (*note ii*);
- Abu Dhabi Offshore Power Transmission Company Limited LLC (*note iv*);
- Mirfa Seawater Treatment and Supply Local Holding MSTs Company (*note v*);
- Taweelah RO Holding Company LLC (*note vi*);
- Fujairah Energy Holding Company LLC (*note vii*);
- Dhafrah Solar Energy Holding Company LLC (*note ix*);
- Tanajib Cogeneration Holding Company Limited (*note x*);
- Amiral Cogeneration Holding Company (*note xii*);
- Mirfa 2 RO Operations and Maintenance Company LLC (*note xiii*);
- Shuweihat RO Operations and Maintenance Company LLC (*note xiv*);
- Talimarjan Operations and Maintenance LLC (*note xv*);
- Talimarjan Power Plan 1 LLC (*note xvi*);
- Tanajib Operations and Maintenance Limited (*note xvii*);
- Najim Jeera Operations and Maintenance Limited (*note xviii*);
- Juranah Water Reservoir Company (*note xix*); and
- Hydro System Operations and Maintenance Company Limited (*note xx*).

The following entities at 31 December 2023 are included within ‘Others’ and are currently individually immaterial:

- Jubail Energy Company (*note ii*);
- Abu Dhabi Offshore Power Transmission Company Limited LLC (*note iv*);
- Mirfa Seawater Treatment and Supply Local Holding MSTs Company (*note v*); and
- Tanajib Cogeneration Holding Company Limited (*note x*).

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15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

The Group’s associates and joint venture are accounted for using the equity method and the reporting dates of the associates are identical to TAQA. The following table analyses the carrying amount and share of profit and other comprehensive income of TAQA’s associates and joint ventures.

	31 December	
	2024	2023
	AED million	AED million
Carrying amount of investments	5,061	5,333
Group’s share of the associates’ and joint ventures:		
Profit for the year	384	191
Other comprehensive (loss)/income	(220)	44
Total comprehensive income	164	235

Included in the profit for the year ended 31 December 2024 is an impairment of AED 63 million on the Massar Solutions PJSC associate taken on equity accounting adjustments.

In order for the associates and joint ventures to reduce its exposure to interest rates fluctuations on loans from banks, a number of the entities have entered into an interest rate arrangements with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans.

The Group has the following loans and advances to associates and joint ventures:

	31 December	
	2024	2023
	AED million	AED million
Abu Dhabi Offshore Power Infra Limited LLC	797	797
Abu Dhabi Future Energy Company PJSC	9,173	1,424
Dhafrah Solar Energy Holding Company LLC	275	-
Taweelah RO Holding Company LLC	73	73
Fujairah Energy Holding Company LLC	274	274
Mirfa Seawater Treatment and Supply Local Holding MSTs Company	304	304
Others	68	4
	10,964	2,876

2024

During the year ended 31 December 2024, TAQA provided a shareholder loan of AED 7,749 million to Abu Dhabi Future Energy Company PJSC. The loan has no set repayment date and bears no interest. The proceeds of the loan will be used in connection with investments approved in accordance with the Borrower’s delegation of authority. A loan of AED 275 million to Dhafrah Solar Energy Holding Company L.L.C was also provided. The loan has no set repayment date and bears no interest. The proceeds of the loan will be used to repay outstanding amounts under any external equity bridge loan agreement.

2023

During the year ended 31 December 2023, TAQA provided a shareholder loan of AED 1,424 million to Abu Dhabi Future Energy Company PJSC. The loan has no set repayment date and bears no interest. The proceeds of the loan will be used in connection with investments approved in accordance with the Borrower’s delegation of authority. TAQA also provided a shareholder loan of AED 304 million to Mirfa Seawater Treatment and Supply Local Holding MSTs LLC to pay for project costs. The loan has a set repayment date and bears interest of 5.84% per annum.

An ECL provision of nil (2023: nil) is recognised against the loans.

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16 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 15 February 2023, the Company received a 5% holding of the total issued share capital of ADNOC Gas plc for no consideration. ADNOC Gas plc is majority owned by the ADNOC group which in turn is wholly owned by the Abu Dhabi government. The fair value of the investment on initial recognition of AED 10,784 million was assessed based on the closing share price on the first day of trading on the Abu Dhabi Stock Exchange (ADX) of AED 2.81 per share and a corresponding gain was recognised in the consolidated statement of profit or loss for the year ended 31 December 2023. Based on the facts and circumstances of the transaction, management has concluded and is satisfied that the transfer of the shares is appropriately recognised in the consolidated statement of profit or loss.

At initial recognition, the Company made an irrevocable election to recognise the investment at fair value through other comprehensive income (FVOCI) and therefore subsequent gains or losses will be recognised within the statement of comprehensive income. FVOCI has been elected by the Group as this is a strategic investment and the shares are not held for trading. The impact on the consolidated financials is as follows:

	31 December	
	2024	2023
	AED million	AED million
Investments carried at fair value through other comprehensive income	13,469	11,858

The investments are recorded at fair value using the fair value techniques disclosed in note 31.3. Movement in investments in financial assets carried at fair value through other comprehensive income is as follows:

	31 December	
	2024	2023
	AED million	AED million
At 1 January	11,858	-
Additions during the year	-	10,784
Change in fair value	1,611	1,074
	13,469	11,858

An ECL provision of nil (2023: nil) is recognised against the investments.

17 OTHER ASSETS

	31 December	
	2024	2023
	AED million	AED million
Deposit receivable	65	66
Advances to contractors	860	521
Asset retirement obligation relief deed receivable	198	145
Non-current financial assets*	176	113
Others	269	209
	1,568	1,054

*On 1 January 2022, the Load and Dispatch Centre (LDC) was transferred from TAQA Transmission (formally Abu Dhabi Transmission & Despatch Company PJSC) to EWEC to manage as part of the Abu Dhabi energy network. Whilst the control of the assets has passed, TAQA Transmission retains the rights to receive future returns for the initial construction and development of these assets as part of its regulated assets base.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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18 INVENTORIES

	31 December	
	2024	2023
	AED million	AED million
Fuel and crude oil	1,568	1,633
Spare parts and consumables	2,008	2,725
	3,576	4,358
Provision for slow moving and obsolete items	(881)	(1,156)
	2,695	3,202

The cost of inventories recognised as an expense in the consolidated statement of profit or loss is AED 865 million (2023: AED 1,143 million).

Inventories with a carrying amount of AED 2,406 million (2023: AED 2,471 million) are pledged as security for loans of the UAE domestic subsidiaries and certain foreign subsidiaries in the power business. Movements in the provision for slow moving and obsolete items are as follows:

	31 December	
	2024	2023
	AED million	AED million
At 1 January	1,156	1,099
(Reversal)/charge for the year	(275)	57
At 31 December	881	1,156

19 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	31 December	
	2024	2023
	AED million	AED million
Net trade receivables (note (i))	2,736	3,135
Accrued revenue	1,855	1,657
Crude stock underlift	497	569
Deposits	22	62
Advances to suppliers	290	143
Prepaid expenses	916	564
Other receivables	314	233
	6,630	6,363
Accounts receivable and prepayments classified as held for sale (note 35)	-	(436)
	6,630	5,927

Abu Dhabi National Energy Company PJSC (“TAQA”)

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19 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES continued

(i) Trade receivables

As at 31 December 2024, trade receivables at nominal value of AED 603 million (2023: AED 1,096 million) were impaired and provided for under the ECL mechanism. Trade receivables are non-interest bearing and are recoverable within 30 - 90 working days. Movements in the provision for impairment of receivables are as follows:

	31 December	
	2024	2023
	AED million	AED million
At 1 January	1,096	644
Expected credit loss movement for the year	(493)	452
	-----	-----
At 31 December	603	1,096
	=====	=====

As at 31 December, the ageing analysis of trade receivables is as follows:

		<i>Past due</i>				
	<i>Total</i>	<i>Not past</i>	<i>30 – 60</i>	<i>60 – 90</i>	<i>90 – 120</i>	<i>>120</i>
	<i>AED million</i>	<i>due</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
		<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>
2024						
Net trade receivables	2,736	1,047	596	340	299	454
Expected credit loss provision	603	146	19	14	41	383
Expected credit loss rate (%)	18					
2023						
Net trade receivables	3,135	1,024	581	362	391	777
Expected credit loss provision	1,096	210	30	17	38	801
Expected credit loss rate (%)	26					

Subsequent to the balance sheet date, the Group collected AED 49 million (2023: AED 25 million) of balances past due for more than 120 days. Trade receivables net of provisions are expected, on the basis of past experience, to be fully recoverable.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	31 December	
	2024	2023
	AED million	AED million
Cash at banks and on hand	4,319	3,671
Short term deposits	4,293	10,449
Cash at banks and on hand classified as held for sale (note 35)	-	(43)
	-----	-----
Total cash and short term deposits	8,612	14,077
Restricted cash	(225)	(239)
Bank overdrafts	(5)	(3)
Cash at banks and on hand classified as held for sale (note 35)	-	43
	-----	-----
Net cash and cash equivalents	8,382	13,878
	=====	=====

Abu Dhabi National Energy Company PJSC (“TAQA”)

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20 CASH AND CASH EQUIVALENTS continued

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Bank overdrafts carry interest at floating rates and are secured by guarantees from certain shareholders of the subsidiaries.

At 31 December 2024, the Group had available AED 13,397 million (2023: AED 13,584 million) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

Restricted cash at 31 December 2024 of AED 225 million (2023: AED 239 million) are required to be maintained as it relates to future decommissioning activities or operations within the Group’s Oil & Gas segment.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by Central Bank of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Company have booked an ECL provision of AED 2 million (2023: AED 2 million) is recognised against cash and cash equivalents.

21 SHARE CAPITAL

	31 December	
	2024	2023
	AED million	AED million
Share capital	<u>112,434</u>	<u>112,434</u>

22 OTHER EQUITY

	31 December	
	2024	2023
	AED million	AED million
Statutory reserve (i)	4,152	3,445
Merger reserve (ii)	(55,437)	(56,443)

(i) Statutory reserve

As required by the UAE Federal Law No. 32 of 2021 and Article 48 of the Articles of Association of TAQA, 10% of the profit for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

(ii) Merger reserve

On 1 July 2020, the Company completed a transaction whereby ADPC contributed the majority of its power and water generation, transmission and distribution assets to TAQA. In this transaction, TAQA Transmission (formerly Abu Dhabi Transmission & Despatch Company PJSC (TransCo)) was determined to be the accounting acquirer (or legal acquiree) given its relative size within the combining entities and TAQA was determined to be the legal acquirer (or the accounting acquiree) which resulted in a reverse acquisition. In accordance with IFRS 3 and per the principles of reverse acquisition, the equity structure appearing in these consolidated financial statements reflects the capital structure (number of shares) of the legal acquirer (TAQA), including the shares issued by TAQA to ADPC to effect the business combination. This resulted in the creation of a 'Merger reserve' as at 1 July 2020, being the difference between the capital structure of the legal acquirer (TAQA) and the capital structure of the accounting acquirer (TAQA Transmission). During the year ended 31 December 2024, the Company disposed of TAQA Atrush (note 35) and the related merger reserve was transferred to retained earnings.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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23 NON-CONTROLLING INTERESTS

Financial information of subsidiaries that have material non-controlling interests are provided below:

	Country of incorporation and operation	Proportion of equity interests held by non-controlling interests	
		2024	2023
Gulf Total Tractebel Power Company PJSC	UAE	40.0%	40.0%
Arabian Power Company PJSC	UAE	40.0%	40.0%
Shuweihat CMS International Power Company PJSC	UAE	40.0%	40.0%
Taweelah Asia Power Company PJSC	UAE	30.0%	30.0%
Emirates SembCorp Water and Power Company PJSC	UAE	40.0%	40.0%
Fujairah Asia Power Company PJSC	UAE	40.0%	40.0%
Ruwais Power Company PJSC	UAE	40.0%	40.0%
Emirates CMS Power Company PJSC	UAE	40.0%	40.0%
Sweihan PV Power Company PJSC	UAE	40.0%	40.0%
Shuweihat Asia Power Company PJSC	UAE	40.0%	40.0%
Mirfa International Power and Water Company PJSC	UAE	40.0%	40.0%
Al Wathba Veolia Besix Waste Water Company PJSC	UAE	40.0%	-
Al Etihad Biwater Waste Water Company PJSC	UAE	40.0%	-
Mirfa 2 RO Water Desalination Company LLC	UAE	40.0%	40.0%
Shuweihat RO Desalination Company LLC	UAE	40.0%	40.0%

During the year ended 31 December 2023, the Company acquired an additional 10% ownership stake in Taweelah Asia Power Company PJSC. All of the Group’s subsidiaries that have material non-controlling interest are similar in nature. These all relate to the Group’s UAE generation and water solutions subsidiaries, in which the Group have an effective 60% share. 40% is owned by various international utility companies. Therefore, the following disclosures have been provided on an aggregated basis.

	31 December	
	2024	2023
	AED million	AED million
Revenue	8,429	7,901
Profit	885	502
Other comprehensive income	330	21
Total comprehensive income	1,215	523
Profit allocated to non-controlling interests	339	189
Other comprehensive income allocated to non-controlling interests	133	4
Cash flows from operating activities	6,792	6,283
Cash flows used in investing activities	(1,810)	(232)
Cash flows used in financing activities	(4,999)	(6,198)
Net decrease in cash and cash equivalents	(17)	(147)
Dividends paid to non-controlling interests	(855)	(860)
Non-current assets	38,997	39,708
Current assets	6,535	5,265
Non-current liabilities	23,549	26,033
Current liabilities	7,668	3,709
Total equity	14,315	15,231
Equity attributable to parent	8,684	9,249
Equity attributable to non-controlling interests	5,631	5,982

Abu Dhabi National Energy Company PJSC (“TAQA”)

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24 LOANS FROM NON-CONTROLLING INTEREST SHAREHOLDERS IN SUBSIDIARIES

	31 December	
	2024	2023
	AED million	AED million
S2 Offshore Holding Company	-	-
Fujairah F2 CV	-	-
Shuweihat Asia Power Investment B.V.	27	30
M Power Holding Company	59	59
Sweiha Solar Holding Company	9	22
	<u>95</u>	<u>111</u>

The above loans are interest free, with no repayment terms and are unsecured and are subject to terms of repayment as resolved by the Board of Directors of the subsidiaries. Accordingly they have been treated as equity within NCI.

25 INTEREST BEARING LOANS AND BORROWINGS

	31 December	
	2024	2023
	AED million	AED million
Abu Dhabi National Energy Company Global Medium Term notes (note i)	30,101	27,447
Revolving credit facilities (note ii)	-	-
Abu Dhabi National Energy Company bonds (note iii)	4,152	4,222
Other subsidiaries' bonds (note iv)	8,108	8,412
Term loans (note v)	21,763	21,572
	<u>64,124</u>	<u>61,653</u>

Analysed in the consolidated statement of financial position as follows:

	31 December	
	2024	2023
	AED million	AED million
Non-current portion	54,972	55,442
Current portion	9,152	6,211
	<u>64,124</u>	<u>61,653</u>

The Group's interest bearing loans and borrowings (before purchase price allocation fair value adjustments and deducting prepaid finance costs) are repayable as follows:

	31 December	
	2024	2023
	AED million	AED million
Within 1 year	9,001	6,076
Between 1 – 2 years	5,675	5,151
Between 2 – 3 years	1,885	5,989
Between 3 – 4 years	4,694	2,383
Between 4 – 5 years	3,646	5,040
After 5 years	37,371	36,618
	<u>62,272</u>	<u>61,257</u>

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

25 INTEREST BEARING LOANS AND BORROWINGS continued

(i) Abu Dhabi National Energy Company Global Medium Term Notes

Abu Dhabi National Energy Company global medium term notes are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of TAQA. The following table summarises the terms of the notes payable net of discount/premium and transaction costs:

	<i>Issue rate %</i>	<i>Effective interest rate %</i>	<i>Repayment date</i>	2024 AED million	2023 AED million
Current liabilities					
Euro 180,000,000	97.62%	3.10%	May 2024	-	738
US \$750,000,000	99.37%	4.02%	May 2024	-	2,749
US \$750,000,000	99.95%	4.38%	April 2025	2,765	-
				2,765	3,487
Non-current liabilities					
US \$750,000,000	99.95%	4.38%	April 2025	-	2,873
US \$500,000,000	99.00%	4.50%	June 2026	1,772	1,860
US \$500,000,000	104.60%	3.80%	June 2026	2,024	2,016
US \$750,000,000	99.80%	2.03%	April 2028	2,746	2,743
US \$500,000,000	99.39%	4.50%	January 2029	1,821	1,817
US \$1,000,000,000	99.96%	4.88%	April 2030	4,149	4,224
US \$900,000,000	99.29%	4.49%	October 2031	3,265	-
US \$1,000,000,000	100.00%	4.70%	April 2033	3,657	3,655
US \$850,000,000	99.24%	4.83%	March 2037	3,081	-
US \$500,000,000	100.00%	4.00%	October 2049	2,077	2,029
US \$750,000,000	100.00%	3.40%	April 2051	2,744	2,743
				27,336	23,960
				30,101	27,447

The term notes liability is stated net of transaction costs amounting to AED 137 million (2023: AED 66 million), which are amortised over the repayment period using the effective interest rate method.

On 2 May 2024, the Group’s AED 705 million bond (EUR 180 million) matured and was repaid in full.

On 6 May 2024, the Group’s AED 2,754 million bond (US \$750 million) matured and was repaid in full.

On 9 October 2024, the Group issued an aggregate AED 6,427 million (US \$1,750 million) in 7 year and long 12 year dual tranche senior unsecured notes. The long 12 year notes at AED 3,122 million (US \$850 million) were issued with a coupon rate of 4.75% per annum and are a green bond issuance. The 7 year notes at AED 3,305 million (US \$900 million) were issued as conventional bonds at a coupon rate of 4.375% per annum.

On 18 April 2023, the Group issued an aggregate AED 5,509 million (US \$1,500 million) in 5 year and 10 year dual tranche senior unsecured notes. The 10 year notes at AED 3,673 million (US \$1,000 million) were issued with a coupon rate of 4.696% per annum and are a green bond issuance. The 5 year notes at AED 1,836 million (US \$500 million) were issued as conventional bonds at a coupon rate of 4.375% per annum.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

25 INTEREST BEARING LOANS AND BORROWINGS continued

(ii) Revolving credit facilities

The following table summarises drawn revolving credit facilities net of transaction costs:

	2024 AED million	2023 AED million
Non-current liabilities		
US \$3.5 billion facility	-	-

On 23 September 2024, the Group utilised AED 2,387 million (US \$650 million) of its revolving credit facility. Amounts borrowed carry interest of SOFR plus a margin. As at December 2024, it has been fully repaid.

On 6 March 2023, the Group utilised AED 2,754 million (US \$750 million) of its revolving credit facility. Amounts borrowed carry interest of SOFR plus a margin. As at 31 December 2023, it has been fully repaid.

Amounts borrowed under revolving credit facility carry interest of SOFR plus a margin and matures in 2027.

Prepaid transaction costs relating to the facility amounted to AED 36 million as at 31 December 2024 (2023: AED 43 million) and is recorded within prepaid expenses in current assets. This cost is amortized in the consolidated statement of profit or loss over the term of the facility using the effective interest rate method.

(iii) Abu Dhabi National Energy Company bonds

The bonds are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of the Company. Interest on the US dollar bonds is payable semi-annually. Accrued interest is included under accruals and other liabilities. The following table summarises the bonds net of discount and transaction costs:

	Issue rate %	Effective interest rate %	Repayment date	2024 AED million	2023 AED million
Non-current liabilities					
US \$1,500,000,000	99.05%	6.57%	October 2036	4,152	4,222

The bonds liability is stated net of transaction costs amounting to AED 28 million (2023: AED 29 million), which are amortised over the repayment period using the effective interest rate method.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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25 INTEREST BEARING LOANS AND BORROWINGS continued

(iv) Other subsidiaries' bonds

The bonds are recorded at amortised cost using the effective interest rate and are secured by a number of security documents including the subsidiaries contractual rights, cash deposits, other assets and guarantees. Interest on the bonds is payable semi-annually. The following table summarises the bonds net of discount and transaction costs:

	<i>Issue rate %</i>	<i>Effective interest rate %</i>	<i>Repayment date</i>	2024 AED million	2023 AED million
Non-current liabilities					
Emirates Sembcorp Water & Power Company US \$400,000,000	4.45%	4.79%	February 2029 to August 2035	1,568	1,578
Ruwais Power Company US \$825,000,000	6.0%	6.18%	August 2036	3,579	3,627
Sweihan PV Power Company PJSC US \$700,800,000	3.63%	3.63%	January 2049	2,398	2,462
TAQA Morocco MAD 2,700,000,000	3.75%	3.82%	March 2038	563	745
				8,108	8,412

The bonds liability is stated net of transaction costs amounting to AED 92 million (2023: AED 100 million), which are amortised over the repayment period using the effective interest rate method.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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25 INTEREST BEARING LOANS AND BORROWINGS continued

(v) Term loans

All term loans are shown at amortised cost and carry an effective interest rate of SOFR or an alternative term benchmark plus the margin stated unless noted otherwise.

	Currency	Effective interest rate %	Repayment date	2024 AED million	2023 AED million
Current liabilities					
Gulf Tractebel Power Company PJSC ¹	USD	+0.80%	2025	276	268
Taweelah Asia Power Company PJSC					
Term loan (1) ¹	USD	+1.65%	2025	162	313
Term loan (2) ¹	USD	+1.65%	2025	206	408
Emirates SembCorp Water and Power Company PJSC ²	USD	+1.28%- 1.63%	2025	261	246
Fujairah Asia Power Company PJSC					
Term loan (1) ¹	USD	+1.18%	2025	1,484	183
Term loan (2) ¹	USD	+ 0.93%	2025	2,192	275
Ruwais Power Company PJSC ¹	USD	+2.53% - 2.79%	2025	319	312
TAQA Morocco ²	MAD	5.78%	2025	275	94
Jorf Lasfar Energy Company 5&6 S.A. ³	MAD	4.75%	2025	126	129
Takoradi International Company ⁴	USD	+4.25% - 4.35%	2025	99	101
Shuweihat Asia Power Company PJSC ¹	USD	+1.82% -2.76%	2025	209	198
Mirfa International Power and Water Company PJSC ¹	USD	+1.3%	2025	139	132
Mirfa 2 RO Water Desalination Company LLC	USD	5.00%	2025	448	-
Al Wathba Veolia Besix Waste Water Company PJSC	USD	+1.65%-2.03%	2025	69	-
Al Etihad Biwater Waste Water Company PJSC ¹	USD	+0.75%-1.00%	2025	51	-
				6,316	2,659
Non-current liabilities					
Gulf Tractebel Power Company PJSC ¹	USD	+0.80% - 0.95%	2029	995	1,269
Taweelah Asia Power Company PJSC					
Term loan (1) ¹	USD	+1.65%	2025	-	160
Term loan (2) ¹	USD	+1.65%	2025	-	208
Emirates SembCorp Water and Power Company PJSC ¹	USD	+1.28% - 1.63%	2029	985	1,244
Fujairah Asia Power Company PJSC					
Term loan (1) ¹	USD	+1.18%	2030	-	1,484
Term loan (2) ¹	USD	+ 0.93%	2030	-	2,187
Ruwais Power Company PJSC ¹	USD	+2.53% - 2.93%	2031	2,578	2,891
TAQA Morocco ²	MAD	5.78%	2034	257	378
Jorf Lasfar Energy Company 5&6 S.A. ³	MAD	4.34% - 5.49%	2042	2,065	2,246
Takoradi International Company ⁴	USD	+4.25% - 4.35%	2028	226	325
Shuweihat Asia Power Company PJSC ¹	USD	+1.82% -2.76%	2034	2,306	2,514
Mirfa International Power and Water Company PJSC ¹	USD	+1.30% -2.10%	2042	3,454	3,582
Mirfa 2 RO Water Desalination Company LLC					
Term loan ⁴	USD	4.70%	2056	1,012	-
Equity bridge loan	USD	5.00%	2025	-	425
Shuweihat RO Water Desalination Company LLC					
Term loan ⁴	USD	+1.10%	2056	205	-
Equity bridge loan	USD	+1.10%	2026	155	-
Al Wathba Veolia Besix Waste Water Company PJSC	USD	+1.65%-2.05%	2032	714	-
Al Etihad Biwater Waste Water Company PJSC ⁴	USD	+0.75%-1.00%	2033	495	-
				15,447	18,913
				21,763	21,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

25 INTEREST BEARING LOANS AND BORROWINGS continued

(v) Term loans continued

1. The loans are secured, subject to various covenants and there are requirements to enter into interest rate swap agreements (note 31).
2. The loans are secured by a number of security documents.
3. The loan is secured and there are requirements to enter into interest rate swap agreements as well as foreign exchange swap agreements (note 31).
4. The loan is secured and there are requirements to enter into interest rate swap agreements (note 31).

The term loans liability is stated net of transaction costs amounting to AED 189 million (2023: AED 104 million), which are amortised over the repayment period using the effective interest rate method.

At 31 December 2024, Fujairah Asia Power Company PJSC (FAPCO) was in breach of a loan covenant. This covenant breach was a result of failing to assign new insurances and reinsurances to the Security Trustees, as required under the Common Terms Agreement and the Commercial Mortgage. The default was rectified in January 2025. As a result of the breach, the full amount of the debt has been classified as current liabilities in the statement of financial position.

On 26 May 2023, Jorf Lasfar Energy Company 5&6 S.A drew down a bridge loan of AED 1,224 million (MAD 3,300 million) in order to repay the maturing senior loan on 31 May 2023. The bridge loan has since been repaid and long term debt issued. Long term debt of AED 2,350 million (MAD 6,600 million) 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 4.75% per annum.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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26 ASSET RETIREMENT OBLIGATIONS

As part of the land lease agreements between ADPC and the Group’s domestic subsidiaries, the subsidiaries have a legal obligation to remove the power and water desalination plants at the end of the plants’ useful lives, or before if the subsidiaries became unable to continue their operations to that date, and to restore the land. The subsidiaries shall at their 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. The fair value of the ARO liability has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation.

In addition, the Group’s foreign subsidiaries involved in the oil and gas sector make provision for the future cost of decommissioning oil and gas properties and facilities at the end of their economic lives. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the respective assets. In addition, the costs of decommissioning are subject to inflationary/deflationary pressures in the cost of third party service provision.

	31 December	
	2024	2023
	AED million	AED million
At 1 January	15,661	15,877
Utilised during the year	(1,589)	(1,002)
Provided during the year	(7)	(17)
Accretion expense (note 7)	442	449
Revision in estimated cash flows	151	297
Disposal of assets	(96)	-
Exchange adjustment	(179)	57
	14,383	15,661
ARO directly associated with assets classified as held for sale (note 35)	-	(96)
	14,383	15,565

Analysed in the consolidated statement of financial position as follows:

	31 December	
	2024	2023
	AED million	AED million
Non-current portion	12,198	13,471
Current portion (note 28)	2,185	2,094
	14,383	15,565

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27 OTHER LIABILITIES

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Deferred income-grant*	1,734	1,339
Development capex	177	183
Employee’s end of service benefits	454	401
Loan from related party (note 29)	15	17
Amount due to a related party (note 29)	33	-
Lease liabilities	280	231
Others	428	376
	<u>3,121</u>	<u>2,547</u>

* Deferred income relates to (i) the fair value of assets transferred from the Private Department Al Ain, in accordance with the decision of Abu Dhabi Executive Council dated 15 August 2005, (ii) grant income received from the Executive Board of Abu Dhabi in 2020 for the development of the Mobile Reverse Osmosis (MRO) Project and (iii) the fair value of assets transferred from the Barakah One Company PJSC, in accordance with an agreement with TAQA Transmission (formerly Abu Dhabi Transmission & Despatch Company PJSC (TransCo)) in relation to the transfer and build of switchyard for the Barakah nuclear plant.

28 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Trade payables	1,788	1,669
Retention creditors	771	600
Mega development projects payable	10,919	7,146
Contract accruals for capital expenditure	1,262	1,020
Customer deposits	857	818
Accrued interest expenses	575	567
Accrual for operating costs	1,685	1,286
Payable for capital expenditure	168	250
Deferred income- grant and connection fees	133	135
Crude stock overlift	356	363
Dividend payable to non controlling interests	-	49
Lease liability	291	265
Asset retirement obligations – current (note 26)	2,185	2,094
Accrued employee related expenses	580	544
Advances from customers	203	324
Deferred revenue	474	401
Others	1,745	1,924
	<u>23,992</u>	<u>19,455</u>
Accounts payable directly associated with assets held for sale (note 35)	-	(250)
	<u>23,992</u>	<u>19,205</u>

Terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled between 30 to 60 day terms.
- Payables to joint venture partners are non-interest bearing and have an average term of 60 days.
- Interest payable is normally settled throughout the financial year in accordance with the terms of the loans.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

29 RELATED PARTY BALANCES

The Group enters into transactions with companies and entities that fall within the definition of a related party. Related parties, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

The following table provides a summary of other significant related party transactions included in the consolidated statement of profit or loss during the year:

	31 December	
	2024	2023
	AED million	AED million
Emirates Water and Electricity Company:		
TUOS and connection charges for unlicensed activity	1,069	1,078
Revenue from electricity and water	8,165	7,901
Energy costs	(148)	(142)
Electricity and water bulk supply tariff *	(21,652)	(18,851)
	(12,566)	(10,014)
Other operating revenue	19,921	14,493
Other transactions		
License fees to DoE	(99)	(97)
Massar vehicle leasing	(24)	(25)
Charges for provision of IT support services	(49)	(18)
Finance costs	(4)	(13)
Interest income	61	41

Other operating revenue for sales of water and electricity and sewerage services is calculated as the difference between its Maximum Allowed Revenue (MAR) determined in its Regulatory Control Framework (issued by the DoE) and revenue relating to supply and distribution of water and electricity and sewerage services from its customers. Accordingly, the Group recognised this revenue based on those rights and rewards that are confirmed during the year.

* TAQA Distribution has a Bulk Supply Agreement with EWEC for the payment of charges levied under this Bulk Supply Tariff (“BST”) for the purchase of water and electricity. The tariff is regulated by the DoE.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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29 RELATED PARTY BALANCES continued

Balances with related parties

Balances with related parties that are disclosed in the consolidated statement of financial position as follows:

	31 December	
	2024	2023
	AED million	AED million
<i>Non-current asset</i>		
Advance and loans to associates and joint ventures*	10,964	2,876
	=====	=====
<i>Current assets</i>		
Bank balances with UAE government banks	4,722	8,177
	=====	=====
Amounts due from Emirates Water and Electricity Company (EWEC)	1,792	1,578
Amounts due from Abu Dhabi Power Corporation (ADPC)	184	161
Amounts due from other related parties	1,597	165
	=====	=====
	3,573	1,904
	=====	=====
<i>Non-current liabilities</i>		
Loan from Abu Dhabi Power Corporation (ADPC)	15	17
Amounts due to Department of Energy (DoE)	33	-
Bank loans with government owned bank	125	125
	=====	=====
	173	142
	=====	=====
<i>Current liabilities</i>		
Amounts due to Emirates Water and Electricity Company (EWEC)	3,457	2,724
Amounts due to Abu Dhabi Power Corporation (ADPC)	994	126
Amounts due to Department of Energy (DoE)	62	-
Amounts due to other related parties	5	1,738
	=====	=====
	4,518	4,588
	=====	=====
Available undrawn bank facilities with UAE government banks	382	470
	=====	=====

*During the year ended 31 December 2024, TAQA provided shareholder loans of AED 7,749 million to Abu Dhabi Future Energy Company PJSC (Masdar). The loans have no set repayment date and bears no interest. The proceeds of the loans will be used in connection with investments approved in accordance with the Borrower’s delegation of authority. A similar shareholder loan was provided in year ended 31 December 2023 to Masdar of AED 1,424 million.

During the year ended 31 December 2024, TAQA Water Solutions (formerly Sustainable Water Solutions Holding Company (SWS Holding)) was acquired for a consideration of AED 1,724 million and an additional payment of AED 523 million linked to profits generated by Abu Dhabi Sewerage Services Company PJSC. The Group and acquired entities are ultimately controlled by the same party (ADQ) before and after the acquisition thus it is a business combination of entities under common control (note 34). The acquisition is classified as a related party transaction.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

29 RELATED PARTY BALANCES continued

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms approved by the management. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Amounts due from related parties, net of provisions, are expected, on the basis of past experience, to be fully recoverable. Management has determined that the provision made against these amounts are appropriate as these are receivable from government entities with low probability of default and loss given default.

(i) Amounts due from related parties

As at 31 December 2024, related parties receivables at nominal value of AED 20 million (2023: AED 6 million) were impaired and fully provided for. The amounts due from EWEC, a fellow subsidiary of ADPC, in respect of available capacity and supply of water and electricity, are payable within 30 - 90 working days. Movements in the provision for impairment of related party receivables are as follows:

	31 December	
	2024	2023
	AED million	AED million
At 1 January	6	5
Provision/ECL for the year	14	1
	-----	-----
At 31 December	20	6
	=====	=====

As at 31 December, the ageing analysis of related party receivables is as follows:

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			
			<i>30 – 60 days</i>	<i>60 – 90 days</i>	<i>90 – 120 days</i>	<i>>120 days</i>
	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>
2024	3,573	3,232	267	1	2	71
2023	1,904	1,583	244	1	-	76

Compensation of key management personnel

The remuneration of senior key management personnel of the Group during the year was as follows:

	31 December	
	2024	2023
	AED million	AED million
Short term benefits	46	46
Long term benefits	18	18
	-----	-----
	64	64
	=====	=====

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

30 COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure commitments

The authorised contracted capital expenditure contracted for at 31 December 2024 but not provided for amounted to AED 11,791 million (31 December 2023: AED 5,185 million).

(ii) Operating lease commitments

Group as a lessor:

Future capacity payments to be received by the Group under the power and water purchase agreement (“PWPA”) based on projected plant availability as at 31 December are as follows:

	31 December	
	2024	2023
	AED million	AED million
Within one year	5,980	6,094
After one year but not more than five years	21,652	22,516
More than five years	19,497	23,591
	=====	=====
At 31 December	47,129	52,201
	=====	=====

(iii) Other commitments

As at the reporting date TAQA North has entered into contractual commitments, mainly pipeline usage, under which they are committed to spend AED 861 million (31 December 2023: AED 756 million).

The Group’s associates and joint ventures have capital commitments of AED 1,796 million as at 31 December 2024 (31 December 2023: AED 930 million).

(iv) Contingencies

- a) The Group has entered into decommissioning security agreements for a number of UK North Sea Assets acquired by it, pursuant to which it may be required to provide financial security to the former owners of the assets, either by means of (a) placing monies in trust or procuring the issuance of letters of credit in an amount equal to its share of the net decommissioning costs of the subject fields plus an allowance for uncertainty; or (b) procuring a guarantee from a holding company or affiliate which satisfies a minimum credit rating threshold; or (c) providing security in such other form as may be agreed by parties to the deeds.

In respect of certain other UK North Sea Assets TAQA is able to meet the security arrangements for decommissioning obligations by way of provision of a parent company guarantee, so long as TAQA continues in majority-ownership of the Government of Abu Dhabi.

- b) TAQA Offshore B.V., alongside other oil and gas companies and the government of the Netherlands in a cross industry initiative has put in place security for offshore oil and gas infrastructure decommissioning. TAQA Offshore B.V. has formally committed to the Government initiative and a legal Netherlands trust arrangement has been set up, and a bank guarantee secured, to effect the provision of security by TAQA Offshore B.V.
- c) The Group has various claims lodged by contractors and consultants relating to its ongoing and completed projects, arising from extension of time and work performed but not paid. The Group is in negotiations with these contractors and consultants regarding the resolution of these claims. At this stage management believes it is not possible to determine a reliable estimate of the range of potential claims.
- d) The Group has a number of letters of credit and guarantees issued on behalf of the generation companies in relation to debt service reserve accounts.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

31 FINANCIAL INSTRUMENTS

31.1 Hedging Activities

	31 December 2024			31 December 2023		
	Notional amount AED million	Fair value Current AED million	Fair value Non-current AED million	Notional amount AED million	Fair value Current AED million	Fair value Non-current AED million
Cash flow hedges						
Liabilities						
Interest rate swaps - hedged	14,621	86	323	9,975	57	307
Forward foreign exchange contracts	1,603	7	10	486	10	35
Future and forward contracts		16	-		-	-
		<u>109</u>	<u>333</u>		<u>67</u>	<u>342</u>
Assets						
Interest rate swaps- hedged	5,514	60	638	8,631	138	316
Forward foreign exchange contracts	791	14	-	1,613	49	38
Future and forward contracts		-	-		42	-
		<u>74</u>	<u>638</u>		<u>229</u>	<u>354</u>

(i) Interest Rate Swaps – Cash flow hedge

In order to reduce their exposure to interest rate fluctuations on variable interest bearing loans and borrowings (note 25) certain subsidiaries have entered into interest rate swap arrangements with counter-party banks for a notional amount that matches the outstanding interest bearing loans and borrowings. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2024 and 31 December 2023:

Subsidiary	Notional amount		Derivative liabilities		Derivative assets		Fix leg on instrument 2024	Fix leg on instrument 2023
	2024 AED million	2023 AED million	2024 AED million	2023 AED million	2024 AED million	2023 AED million		
GTPC	1,150	1,344	-	-	36	43	2.63% to 3.76%	2.63% to 3.76%
TAPCO	1,847	1,847	-	-	-	12	3.64% to 4.10%	3.64% to 4.10%
ESWPC	341	1,501	-	-	42	47	2.80% to 5.85%	2.80% to 5.85%
FAPCO	3,524	3,960	98	161	72	87	0.84% to 5.72%	0.84% to 5.72%
MIPCO	2,503	3,630	3	3	370	251	2.67% to 2.80%	2.67% to 2.80%
SAPCO	2,534	2,732	105	68	60	-	1.63% to 5.10%	1.63% to 5.10%
RPC	2,963	3,283	68	132	-	-	4.62% to 5.40%	4.62% to 5.40%
Al Etihad Biwater	544	-	94	-	-	-	8.21%	-
Al Wathba Veolia Besix	552	-	-	-	16	-	2.58% to 4.80%	-
MIRFA 2RO	3,557	-	-	-	38	-	3.50% to 4.09%	-
Shuweihat RO	380	-	41	-	55	-	3.45% to 4.01%	-
TICO	240	309	-	-	9	14	2.20% to 2.31%	2.20% to 2.31%
	<u>20,135</u>	<u>18,606</u>	<u>409</u>	<u>364</u>	<u>698</u>	<u>454</u>		

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

31 FINANCIAL INSTRUMENTS continued

31.1 Hedging Activities continued

(ii) Forward Foreign Exchange Contracts

Certain subsidiaries use forward foreign exchange contracts to hedge their risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to overseas suppliers. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2024 and 31 December 2023:

Subsidiary	Notional amount		Derivative liabilities		Derivative assets	
	2024	2023	2024	2023	2024	2023
	AED million	AED million	AED million	AED million	AED million	AED million
SAPCO	157	223	8	35	-	-
TAQA Bratani Limited	2,237	1,876	9	10	14	87
	<u>2,394</u>	<u>2,099</u>	<u>17</u>	<u>45</u>	<u>14</u>	<u>87</u>

(iii) Future and Forward Contracts

TAQA Energy B.V. employs a hedging strategy utilizing future and forward contracts to manage the exposure to commodity price risk. The derivative instruments were designated as cash flow hedges. As at 31 December 2024, the derivative instrument has a negative fair value of AED 16 million (2023: positive AED 42 million). The notional amount associated with the gas volumes covered by the derivative instrument is 635 GWh (2023: 670 GWh).

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

31 FINANCIAL INSTRUMENTS continued

31.2 Fair values

The fair values of the financial instruments of the Group are not materially different from their carrying values at the reporting date except for certain fixed interest borrowings and operating financial assets. Set out below is a comparison of the carrying amounts and fair values of fixed interest borrowings and operating financial assets:

	Carrying amount		Fair value	
	2024	2023	2024	2023
	AED million	AED million	AED million	AED million
Operating financial assets (note i)	7,821	8,786	7,865	8,898
Interest bearing loans and borrowings (note ii)	42,361	40,067	36,619	35,089

- (i) The fair value of operating financial assets is estimated by discounting the expected future cash flows using appropriate interest rates for assets with similar terms, credit risk and remaining maturities.
- (ii) Interest bearing loans and borrowings relates to the Abu Dhabi National Energy Company Global Medium Term notes, Abu Dhabi National Energy Company bond and other subsidiaries’ bonds. The fair value of the interest bearing loans and borrowings is based on price quotations at the reporting date.

31.3 Fair Values hierarchy

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. For level 3 valuations, the Group relies on variable cash flows and discount rates based on management expectations.

	Fair value AED million	Carrying value AED million	Fair value hierarchy
At 31 December 2024			
Financial assets measured at fair value			
Interest rate swaps- hedged	698	698	Level 2
Forward foreign exchange contracts	14	14	Level 2
Listed equity investments	13,469	13,469	Level 1
Financial assets disclosed at fair value			
Operating financial assets	7,865	7,821	Level 3
Financial liabilities measured at fair value			
Interest rate swaps – hedged	409	409	Level 2
Forward foreign exchange contracts	17	17	Level 2
Future and forward contracts	16	16	Level 2
Financial liabilities disclosed at fair value			
Interest bearing loans and borrowings	36,619	42,361	Level 1

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2024

31 FINANCIAL INSTRUMENTS continued

31.3 Fair Values hierarchy continued

	<i>Fair value AED million</i>	<i>Carrying value AED million</i>	<i>Fair value hierarchy</i>
<i>At 31 December 2023</i>			
Financial assets measured at fair value			
Interest rate swaps- hedged	454	454	Level 2
Forward foreign exchange contracts	87	87	Level 2
Future and forward contracts	42	42	Level 2
Listed equity investments	11,858	11,858	Level 1
Financial assets disclosed at fair value			
Operating financial assets	8,898	8,786	Level 3
Financial liabilities measured at fair value			
Interest rate swaps – hedged	364	364	Level 2
Forward foreign exchange contracts	45	45	Level 2
Financial liabilities disclosed at fair value			
Interest bearing loans and borrowings	35,089	40,067	Level 1

During the year ended 31 December 2024 and 2023 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of other financial instruments of the Group are not materially different from their carrying values at the reporting date.

Interest bearing loans and borrowings detailed above relates to the Group’s medium term notes and bonds portfolio. The company’s project related debt is excluded from this number as the fair value is not materially different from the carrying value at the reporting date.

Listed equity investments designated at fair value through OCI include shares held in ADNOC Gas plc. The Company holds a non-controlling interest (5%) and the investment is considered strategic in nature.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 1 category above, have been determined by market rates at the year end date.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 2 category above, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

32 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

These consolidated financial statements include the following major operating subsidiaries, joint ventures and associates and their effective ownership as at 31 December 2024 are listed below:

<i>Subsidiaries</i>	<i>Effective ownership %</i>	<i>Country of incorporation and operations</i>	<i>Principal activities</i>
FOREIGN SUBSIDIARIES			
TAQA Bratani Limited	100%	UK	Oil & gas production
TAQA North Limited	100%	Canada	Oil & gas production
TAQA Energy B.V	100%	Netherlands	Gas storage, oil & gas production
TAQA Morocco	86%	Morocco	Power generation
Jorf Lasfar Energy Company 5&6 S.A	91%	Morocco	Power generation
Takoradi International Company	90%	Cayman Islands/Ghana	Power generation
TAQA Neyveli Power Company Private Limited	100%	India	Power generation
DOMESTIC SUBSIDIARIES			
TAQA Transmission (formerly Abu Dhabi Transmission and Despatch Company PJSC (TransCo))	100%	UAE	Transmission of water and electricity in the region of Abu Dhabi and the surrounding areas.
TAQA Distribution (formerly Abu Dhabi Distribution Company PJSC (ADDC))	100%	UAE	Distribution of water and electricity in the region of Abu Dhabi, Al Ain, and the surrounding areas.
TAQA Distribution (formerly Al Ain Distribution Company PJSC (AADC))	100%	UAE	
Mirfa International Power and Water Company PJSC (MIPCO)	60%	UAE	Generation of electricity and the production of desalinated water
Gulf Total Tractebel Power Company PJSC (GTTTC)	60%	UAE	
Sweihan PV Power Company PJSC	60%	UAE	
Shuweihat Asia Power Company PJSC (SAPCO)	60%	UAE	
Arabian Power Company PJSC (APC)	60%	UAE	
Shuweihat CMS International Power Company PJSC (SCIPCO)	60%	UAE	
Taweelah Asia Power Company PJSC (TAPCO)	70%	UAE	
Emirates CMS Power Company PJSC (ECPC)	60%	UAE	
Emirates Semb Corp Water and Power Company PJSC (ESWPC)	60%	UAE	
Fujairah Asia Power Company PJSC (FAPCO)	60%	UAE	
Ruwais Power Company PJSC (RPC)	60%	UAE	Operating & maintenance
Taweelah Shared Facilities Company LLC	60%	UAE	
Shuweihat Shared Facilities Company LLC	52%	UAE	Operating & maintenance
Abu Dhabi Sustainable Water Solutions Company PJSC	100%	UAE	Water solutions
Al Wathba Veolia Besix Waste Water Company PJSC	60%	UAE	
Al Etihad Biwater Waste Water Company PJSC	60%	UAE	
ASSOCIATES			
Massar Solutions PJSC	49%	UAE	Lease management
Abu Dhabi Offshore Power Transmission Company Limited LLC	30%	UAE	Transmission of electricity
Jubail Energy Company LLC	25%	KSA	Generation of electricity
Mirfa Seawater Treatment and Supply Company MSTs LLC	26%	UAE	Seawater Treatment
Sohar Aluminium Company LLC	40%	Oman	Aluminium smelter
JOINT VENTURES			
LWP Lessee LLC	50%	USA	Wind power
Taweelah RO Holding Company LLC	33%	UAE	Production of desalinated water
Fujairah Energy Holding Company LLC	67%	UAE	Generation of electricity
Dhafrah Solar Energy Holding Company LLC	67%	UAE	Solar power
Tanajib Cogeneration Holding Company Limited	49%	UAE	Generation of electricity
Abu Dhabi Future Energy Company PJSC (Masdar)	43%	UAE	Renewable energy

During the year ended 31 December 2024, TAQA Water Solutions (formerly Sustainable Water Solutions Holding Company (SWS Holding)) was acquired. The major operating entities under TAQA Water Solutions include Al Wathba Veolia Besix Waste Water Company PJSC, Al Etihad Biwater Waste Water Company PJSC and Abu Dhabi Sustainable Water Solutions Company PJSC (note 34). In addition, the disposal of TAQA Atrush B.V was completed (note 35).

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

32 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES continued

The Group announced a rebrand effective 1 January 2025, of its wholly owned operating subsidiaries as follows:

- (i) Abu Dhabi Transmission and Despatch Company (TransCo) to become TAQA Transmission,
- (ii) Sustainable Water Solutions Holding (SWS Holding) to become TAQA Water Solutions,
- (iii) Abu Dhabi Distribution Company (ADDC) and Al Ain Distribution Company (AADC) will be brought under a single new brand, TAQA Distribution.

There were no other changes in the major operating subsidiaries, joint ventures, and associates. Refer to note 15 for additional new joint ventures that involve projects under development and are not major to the group.

During the year ended 31 December 2023, the Company acquired an additional 10% ownership stake in Taweelah Asia Power Company PJSC and a stake in Mirfa Seawater Treatment and Supply Local Holding MSTs Company. There were no other changes in the major operating subsidiaries, joint ventures, and associates.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(i) Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term debt obligations and short-term deposits with floating interest rates. The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, the Group enters into interest rate swaps, in which the Group 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 2024, after taking into account the effect of interest rate swaps, approximately 99% of the Group’s borrowings are at a fixed rate of interest (2023: 99%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings and deposits, after the impact of hedge accounting. With all other variables held constant, the Group’s profit before tax and equity is affected as follows:

	<i>Effect on profit before tax AED million</i>	<i>Effect on equity AED million</i>
2024		
+15 basis points increase in interest rate	(4)	35
-15 basis points decrease in interest rate	4	(35)
2023		
+15 basis points increase in interest rate	(4)	33
-15 basis points decrease in interest rate	4	(33)

In 2023, The Group transitioned the majority of its term loans to US secured overnight financing rate (“SOFR”). The additional fixed spread added was in the range of 0.26% bps to 0.43% bps. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allow the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. The remaining term loans in transition are not expected to have materially different contract terms than those already transitioned within the Group.

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposure to risk of changes in foreign exchange rates relates primarily to the operating activities (when revenue or expense are denominated in a different currency from the functional currencies of the subsidiaries), carrying values of assets and liabilities in Canadian Dollars, Euros, Moroccan Dirhams and Indian rupees and the Group’s net investment in foreign subsidiaries.

The Group hedges part of its net exposure to fluctuations on the translation into AED of its foreign operations by holding certain borrowings in foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, GBP, CAD, and Moroccan Dirham exchange rates, with all other variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group’s equity (due to changes in foreign currency translation reserve). The Group’s exposure to foreign currency changes for all other currencies is not material.

	<i>Increase/decrease in Euro, GBP, Moroccan Dirham, Indian rupees, and CAD rates</i>	<i>Effect on profit before tax AED million</i>	<i>Effect on equity AED million</i>
2024	+5%	379	316
	-5%	(379)	(316)
2023	+5%	129	105
	-5%	(129)	(105)

The movement in equity arises from changes in Euro borrowings in the hedge of net investments in the Netherlands. These movements will partly offset the translation of the Netherlands’ operations net assets into AED. On 2 May 2024, the Group’s EUR bond matured and was repaid in full.

(iii) Commodity price risk

The Group also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(iv) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

Trade and other receivables

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance. The Group’s largest 2 customers account for approximately 42% of outstanding trade receivables and amounts due from related parties at 31 December 2024 (2023: 47%). The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. All impairment considerations for trade and other receivables are performed using the expected credit loss model. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 19. The Group does not hold collateral as security.

Operating financial assets

The operating financial assets relating to the Group’s international generation subsidiaries sell their products to one party, which is typically a governmental entity. These subsidiaries seek to limit their credit risk with respect to a single customer by monitoring outstanding receivables. The Group’s maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2024 and 2023 is the carrying amounts as illustrated in note 13.

Other financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group’s treasury in accordance with the Group’s policy. Investments of surplus funds are made only with reputable banks and financial institutions. The Group’s maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2024 and 2023 is the carrying amounts as illustrated in note 20 except for derivative financial instruments. The Group’s maximum exposure for derivative instruments is disclosed in note 31 and in the liquidity table below, respectively.

Abu Dhabi National Energy Company PJSC (“TAQA”)

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31 December 2024

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(v) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. As at 31 December 2024, 14% of the Group’s debt will mature in less than one year (2023: 10%) based on the carrying value of borrowings reflected in the consolidated financial statements.

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2024 and 2023 based on contractual undiscounted payments:

	< 1 year AED million	1-5 years AED million	> 5 years AED million	Total AED million
At 31 December 2024				
Trade and other payables	11,063	22	-	11,085
Bank overdrafts	5	-	-	5
Interest bearing loans, borrowings and Islamic loans	9,001	15,900	37,371	62,272
Advances and loans from related parties	-	-	15	15
Amounts due to ADPC and other related parties	4,518	-	-	4,518
Derivative financial instruments	496	1,428	227	2,151
	<u>25,083</u>	<u>17,350</u>	<u>37,613</u>	<u>80,046</u>
At 31 December 2023				
Trade and other payables	11,425	18	-	11,443
Bank overdrafts	3	-	-	3
Interest bearing loans, borrowings and Islamic loans	6,076	18,563	36,618	61,257
Advances and loans from related parties	-	-	17	17
Amounts due to ADPC and other related parties	4,588	-	-	4,588
Derivative financial instruments	725	1,807	393	2,925
	<u>22,817</u>	<u>20,388</u>	<u>37,028</u>	<u>80,233</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.

	< 1 year AED million	1 – 5 years AED million	> 5 years AED million	Total AED million
At 31 December 2024				
Inflows	635	1,813	198	2,646
Outflows	(496)	(1,428)	(227)	(2,151)
Net	<u>139</u>	<u>385</u>	<u>(29)</u>	<u>495</u>
Discounted at the applicable interbank rates	<u>53</u>	<u>114</u>	<u>(46)</u>	<u>121</u>
At 31 December 2023				
Inflows	783	1,788	321	2,892
Outflows	(725)	(1,807)	(393)	(2,925)
Net	<u>58</u>	<u>(19)</u>	<u>(72)</u>	<u>(33)</u>
Discounted at the applicable interbank rates	<u>(12)</u>	<u>(319)</u>	<u>(90)</u>	<u>(421)</u>

Abu Dhabi National Energy Company PJSC (“TAQA”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(vi) Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. On 15 March 2023 TAQA Group’s shareholders approved a new dividend policy for 2023-2025. The policy includes a quarterly dividend payment based on a combination of fixed and variable dividends. The variable dividend component will be paid annually and be based on a discretionary percentage of annual net profit from the Oil and Gas business.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Within net debt, the Group includes interest bearing loans and borrowings less cash and cash equivalents. Equity includes total equity including non-controlling interests.

	31 December	
	2024	2023
	AED million	AED million
Interest bearing loans and borrowings	64,124	61,653
Less cash and cash equivalents	(8,382)	(13,878)
Net debt	55,742	47,775
Equity	104,824	89,095
Equity and net debt	160,566	136,870
Gearing ratio	35%	35%

34 TRANSFER OF ENTITIES UNDER COMMON CONTROL

On 4 September 2024, TAQA completed the acquisition of all outstanding shares of TAQA Water Solutions (formerly Sustainable Water Solutions Holding Company (SWS Holding)) for a consideration of AED 1,724 million. 50% of the consideration was paid at completion and the remaining 50% to be paid one year after completion. TAQA Water Solutions made an additional payment of AED 523 million linked to net profits generated by Abu Dhabi Sewerage Services Company PJSC during the year ended 31 December 2023. TAQA Water Solutions was established in May 2023 with an aim to deliver sustainable water solutions through a focus on resource recovery and water circularity that will benefit industries and communities. TAQA Water Solutions owns Abu Dhabi Sustainable Water Solutions Company, the main entity behind all wastewater collection treatment, and reuse in the Emirate of Abu Dhabi. The acquisition date in the consolidated financial statements is 1 January 2024, being the date the Group gained control over TAQA Water Solutions.

The acquisition is excluded from the scope of International Financial Reporting Standards 3 (IFRS 3) "Business Combinations" as it is a business combination of entities under common control, given that the Group and the acquired entities are ultimately controlled by the same party (ADQ) before and after the acquisition. The acquisition has been accounted for in the consolidated financial statements using the pooling of interest method, which reflects the economic substance of the transaction.

The Group has elected to consolidate the assets and liabilities of acquired entities from the date of acquisition without restating and presenting the prior period. The components of equity of the transferred entity are added to retained earnings and non-controlling interests within the Group’s equity.

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34 TRANSFER OF ENTITIES UNDER COMMON CONTROL continued

From the date of acquisition, TAQA Water Solutions contributed AED 2,479 million of revenue and AED 626 million of profit to the Group.

Assets acquired and liabilities assumed:

The major classes of assets and liabilities of TAQA Water Solutions were as follows:

	<i>At 1 January 2024 AED million</i>
<i>Assets</i>	
Property, plant and equipment	18,559
Other assets	73
Inventories	16
Amounts due from related parties	1,080
Cash and bank balances	463
Accounts receivable and prepayments	1,456
	<u>21,647</u>
<i>Liabilities</i>	
Interest bearing loans and borrowings	1,469
Other liabilities	60
Amounts due to related parties	501
Accounts payable, accruals and other liabilities	4,823
	<u>6,853</u>
Consideration payable (note 29)	(2,247)
Equity	<u>12,547</u>

Included in equity is AED 227 million of non-controlling interests at 1 January 2024.

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35 DISCONTINUED OPERATIONS

On 22 January 2024, TAQA entered into definitive agreements with General Exploration Partners Inc. for the sale of its interest in Atrush oil field in the Kurdistan region of Iraq. On 7 August 2024, the Group formally completed the sale of the Atrush block. As at 31 December 2023, the assets in Iraq were classified as a disposal group held for sale and as a discontinued operation.

The assets contribution to the Group’s results are presented below:

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Revenues	136	174
Costs	(59)	(122)
Gross profit	77	52
General and administrative expenses	(11)	(33)
Finance costs	-	(1)
Profit before tax from discontinued operations	66	18
Tax expense	-	-
Profit for the year from discontinued operations	66	18
Basic and diluted earnings per share attributable to equity holders of the parent (AED) from discontinued operations	0.00	0.00

The net cash flows incurred by the assets are as follows:

	<i>31 December</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED million</i>	<i>AED million</i>
Net cash (used in) generated from operations	(45)	66
Net cash generated (used in) investing	8	(69)
Net cash used in financing activities	-	(1)
Net decrease in cash and cash equivalents	(37)	(4)

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36 DIVIDENDS

2024

At the General Assembly meeting in March 2024, the shareholder’s approved a final and variable dividend of AED 2,249 million, being AED 0.02 per share for the year ended 31 December 2023. Both dividends were paid in the three month period ended 31 March 2024.

On 12 May 2024, the Board of Directors approved an interim dividend of AED 787 million, being AED 0.007 per share for the quarter ended 31 March 2024. The interim dividend was paid on 28 May 2024.

On 13 August 2024, the Board of Directors approved an interim dividend of AED 787 million, being AED 0.007 per share for the quarter ended 30 June 2024. The interim dividend was paid on 27 August 2024.

On 13 November 2024, the Board of Directors approved an interim dividend of AED 787 million, being AED 0.007 per share for the quarter ended 30 September 2024. The interim dividend was paid on 27 November 2024.

2023

At the General Assembly meeting in March 2023, the shareholder’s approved a dividend of AED 1,350 million, being AED 0.01 per share for the year ended 31 December 2022. A special dividend was also approved by the shareholders of AED 2,363 million, being AED 0.02 per share. Both dividends were paid in the three month period ended 31 March 2023.

On 12 May 2023, the Board of Directors approved an interim dividend of AED 731 million, being AED 0.007 per share for the quarter ended 31 March 2023. The interim dividend was paid on 30 May 2023.

On 11 August 2023, the Board of Directors approved an interim dividend of AED 731 million, being AED 0.007 per share for the quarter ended 30 June 2023. The interim dividend was paid on 25 August 2023.

On 11 November 2023, the Board of Directors approved an interim dividend of AED 731 million, being AED 0.007 per share for the quarter ended 30 September 2023. The interim dividend was paid on 23 November 2023.

37 RECLASSIFICATION OF PRIOR YEAR BALANCES

Certain comparative figures have been reclassified wherever necessary, as to conform to the presentation adopted in these consolidated financial statements. These reclassifications do not materially change the presentation of the consolidated financial statements.

38 EVENTS AFTER REPORTING DATE

Dividends

On 12 February 2025, the Board of Directors proposed a final and variable dividend of AED 2,361 million, being AED 0.02 per share for the year ended 31 December 2024. The dividends will be subject to shareholder approval at the General Assembly meeting in March 2025.