Q1 2025

MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended
31 March 2025

TAQA

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

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This document should be read in conjunction with TAQA's interim condensed consolidated financial statements for the period ended 31 March 2025 (Unaudited). Within the MD&A we use the terms "the Group", "we", and "our" to refer to TAQA.

1. Health, Safety and Environment (HSE)

		Period ended 31 March									
		Transmission & Distribution		***Generation*** [1]		***Water Solutions***		***Oil & Gas*** [2,3]		***Group Total*** [3]	
HSE Overview		**2025**	2024	**2025**	2024	**2025**	**2024**	**2025**	2024	**2025**	2024
Recordable injury rate (RIR)[4]	*(incident /1 million hrs)*	**0.18**	0.09	**1.56**	-	**-**	-	**1.62**	1.05	**0.44**	0.21
Lost time injury (LTI)	*Number*	**-**	1	**1**	-	**-**	-	**-**	-	**1**	1
Fatalities	*Number*	**2**	-	**-**	-	**-**	-	**-**	-	**2**	-
Reportable spills	*Number*	**-**	-	**-**	-	**-**	-	**6**	2	**6**	2
Reportable spills	*Volume (litres)*	**-**	-	**-**	-	**-**	-	**15,903**	530	**15,903**	530

1) Refers to TAQA operated assets only.
2) Excludes discontinued operations.
3) Q1 2024 RIR was updated based on a revised manhour calculation.
4) RIR includes all recordable injuries (e.g., fatalities, lost time injury, restricted work injury and medical treatment injury)

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

Group RIR of 0.44 represents an increase from 0.21 from the same period of 2024. This increased Group RIR is due to a combination of c.4% lower activity levels and an increased number of recordable injuries from 4 to 8, which included 2 fatalities and 1 lost time injury.

Regrettably, 2 separate fatal accidents occurred at our distribution company in January related to driving and lifting operations. Independent investigations have been conducted in each case to establish root causes, identify lessons learnt and develop actions for implementation and improvement. Stand-downs were initiated across our operations to reinforce TAQA's commitment to safety and share learnings.

6 reportable spills were recorded as of the end of Q1 2025 compared to the 2 recorded in the same period of the previous year. The total spill volume released was 15,903 litres, mainly due to a single spill incident in January in Oil & Gas of 15,000 litres related to a condensate pipeline leak.

Transmission & Distribution (T&D)

T&D RIR of 0.18 represents an increase from 0.09 for the same period of 2024, due to an increase in recordable injuries from 1 to 2, both of which were fatal accidents at our distribution company. The 2 fatalities in January highlighted the continued need to maintain focus on operational discipline, driver behaviour, lifting activities, and continuous improvement, especially for our contracted workforce.

Generation

Generation RIR of 1.56 represents an increase from 0 for the same period of 2024, due to an increase of recordable injuries from 0 to 2, which included 1 lost time injury. Key focus areas for Generation include contractor management, safety leadership, process safety, crisis and emergency management, business continuity and safe systems of work.

Water Solutions

Water Solutions experienced no recordable injuries. Continued integration activities include an independent HSSE assurance review conducted to identify further opportunities to align with TAQA's HSE management system and industry good practice. Key focus areas for Water Solutions include elevating HSE competencies, enhancing safety leadership expectations, and managing and engaging contractors.

Oil & Gas (O&G)

O&G RIR of 1.62 represents an increase from 1.05 for the same period of 2024, due to a combination of c.13% lower activity levels and an increase of recordable injuries from 3 to 4. Key focus areas for O&G include consistently embedding operational and process safety improvements during ongoing changes in the operational profile of our assets and associated activities across asset decommissioning, wells plug and abandonment, asset transfer, and asset development, especially activities delivered by our contracted workforce.

Corporate

The Corporate segment experienced no recordable injuries. Continuous improvement and learning across the Group remain key areas of focus, including reporting, safe systems of work and contractor management. Initiatives were launched to embed safe driving behaviours, strengthen consistent application of lifting safety standards, support workplace and personal health awareness and commitment, and enhance incident investigations, tools and training to upgrade our ability to capture and share lessons learned.

2. Summary of Results

(AED million, except where indicated)		Three months ended 31-Mar 2025	31-Mar 2024
Transmission network availability	%	**98.7**	98.3
Generation global commercial availability [1]	%	**95.6**	97.4
Water Solutions asset availability	%	**93.7**	98.0
Oil & Gas average production [2]	mboe/d	**94.9**	106.9
Gross Revenues		**14,202**	13,678
EBITDA		**5,258**	5,630
Net Income [3]		**2,083**	2,116
Capital expenditure [4]		**2,187**	1,683
Free cash flow generation [5]		**4,825**	274

(AED million)	31-Mar 2025	31-Dec 2024
Total debt	**63,721**	64,124
T&D Regulated Asset Value (RAV)	**77,168**	76,855
Water Solutions Regulated Asset Value (RAV)	**17,963**	17,804

(1) Represents weighted average for all power producing assets based on plant capacity.
(2) Includes working interest production from continuing operations in North America, UK, and Netherlands.
(3) Net income above is the share attributable to common shareholders of TAQA.
(4) Represents additions to Property, Plant, and Equipment, excluding right-of-use assets.
(5) Represents cash flows from operations less cash flows used in investing activities.

Operational Highlights:

- **Transmission network availability** for power and water reached 98.7%, marginally higher than Q1 2024.
- **Generation global commercial availability** marginally reduced to 95.6% from 97.4% in the previous period.
- **Water Solutions asset availability** reduced to 93.7% from 98.0% in the previous period, as remediation works continue following the exceptional weather event of April 2024.
- **Oil & Gas production** decreased 11.2% to 94.9 mboe/d compared to the prior period. This fall is mainly due to the cessation of production in late 2024 of four UK assets as the UK transitions its focus towards safe and efficient decommissioning.

Financial Highlights:

- **Group revenues** increased 3.8% period-on-period to AED 14.2 billion, mainly driven by sustained growth in Transmission & Distribution (T&D)
- **EBITDA** was AED 5.3 billion, a decrease of 6.7% compared to the prior period, primarily driven by reduced contributions from the Oil and Gas (O&G) business due to lower oil prices and declining production.
- **Net income** was AED 2.1 billion, down 1.5% compared to the prior period.

- **Capital expenditure** increased by 30.0% to AED 2.2 billion, primarily driven by investment in the 1 GW Al Dhafra Open-Cycle Gas Turbine project supporting Abu Dhabi's A.I. strategy, in addition to timing and phasing of project execution within T&D.

- **Free cash flow generation** amounted to AED 4.8 billion, up from AED 0.3 billion in Q1 2024, primarily reflecting working capital movements, mainly within the T&D segment.

- **Gross debt** was AED 63.7 billion, slightly lower than AED 64.1 billion at the end of 2024, primarily due to AED 0.8 billion in scheduled loan repayments, partially offset by AED 0.3 billion in additional debt drawdowns, related to construction progress on the Mirfa 2 RO and Shuweihat 4 RO desalination plants.

Strategic Highlights:

Through its leading stake in Masdar, TAQA continued to advance its growth strategy in Q1 2025, with progress across domestic and international markets:

- In the UAE, Masdar announced the world-first 'round-the-clock' giga-scale project, which comprises 5.2 GW of solar PV and 19 GWh of battery storage to dispatch 1 GW of renewable energy 24/7.

- Internationally, Masdar expanded its European footprint leveraging its Iberian platform, Saeta Yield:
  - Through Saeta, Masdar acquired the 243 MW Valle Solar project, one of the largest solar PV facilities in Spain's Valencia region.
  - Masdar signed an agreement to acquire a 49.99% stake in four of Endesa S.A.'s solar assets totaling 446 MW, pending regulatory approvals. This transaction builds on a prior acquisition of a 49.99% stake in Endesa's 2 GW solar portfolio, with up to 500 MW of potential battery energy storage system (BESS) hybridisation.

3. Results of Operations by Business

Consolidated Income Statement	Transmission & Distribution		Generation		Water Solutions[1]		Oil & Gas		Corp. & Elimination		Total	
	Period ended											
(AED millions)	**31-Mar 2025**	31-Mar 2024	**31-Mar 2025**	31-Mar 2024	**31-Mar 2025**	31-Mar 2024	**31-Mar 2025**	31-Mar 2024	**31-Mar 2025**	31-Mar 2024	**31-Mar 2025**	31-Mar 2024
Total revenues	**9,139**	8,174	**2,938**	2,937	**636**	620	**1,489**	1,947	**-**	-	**14,202**	13,678
Operating expenses	**(6,519)**	(5,475)	**(1,175)**	(1,156)	**(215)**	(128)	**(883)**	(1,021)	**(4)**	7	**(8,796)**	(7,773)
G&A expenses	**(273)**	(318)	**(111)**	(65)	**(36)**	(35)	**(47)**	(50)	**(34)**	(93)	**(501)**	(561)
Share of results of associates and JVs	**(7)**	-	**3**	133	**-**	-	**-**	-	**2**	2	**(2)**	135
Other income	**23**	37	**10**	64	**12**	-	**(9)**	3	**10**	(14)	**46**	90
FX gains / (losses)	**-**	-	**39**	(25)	**-**	-	**(4)**	(2)	**(39)**	69	**(4)**	42
Dividend income	**-**	-	**-**	-	**-**	-	**-**	-	**313**	-	**313**	-
Profit from discontinued operations	**-**	-	**-**	-	**-**	-	**-**	19	**-**	-	**-**	19
EBITDA	**2,363**	2,418	**1,704**	1,888	**397**	457	**546**	896	**248**	(29)	**5,258**	5,630
DD&A expenses	**(868)**	(902)	**(1,053)**	(1,107)	**(182)**	(221)	**(184)**	(214)	**(2)**	-	**(2,289)**	(2,444)
Finance costs	**(6)**	-	**(351)**	(396)	**(25)**	(28)	**(51)**	(103)	**(301)**	(230)	**(734)**	(757)
Interest income	**26**	60	**58**	85	**3**	4	**78**	89	**(62)**	(63)	**103**	175
Tax expense	**(67)**	(101)	**(59)**	(108)	**(18)**	(18)	**(42)**	(232)	**-**	(10)	**(186)**	(469)
Total profit / (loss)	**1,448**	1,475	**299**	362	**175**	194	**347**	436	**(117)**	(332)	**2,152**	2,135
Non-controlling interest	**-**	-	**(61)**	(11)	**(8)**	(8)	**-**	-	**-**	-	**(69)**	(19)
Net profit / (loss) (TAQA share)	**1,448**	1,475	**238**	351	**167**	186	**347**	436	**(117)**	(332)	**2,083**	2,116

Consolidated Balance Sheet	Transmission & Distribution		Generation		Water Solutions[1]		Oil & Gas		Corp. & Elimination		Total	
	As at											
(AED millions)	**31-Mar 2025**	**31-Dec 2024**	**31-Mar 2025**	**31-Dec 2024**	**31-Mar 2025**	**31-Dec 2024**	**31-Mar 2025**	**31-Dec 2024**	**31-Mar 2025**	**31-Dec 2024**	**31-Mar 2025**	**31-Dec 2024**
Property, plant & equipment	**85,716**	85,600	**26,344**	26,318	**18,897**	18,569	**5,492**	5,347	**12**	(32)	**136,461**	135,802
Operating financial assets	**-**	-	**7,835**	7,821	**-**	-	**-**	-	**-**	-	**7,835**	7,821
Investment in and loans to associates & JVs	**1,101**	1,101	**15,285**	14,716	**-**	-	**-**	-	**209**	208	**16,595**	16,025
Intangible assets	**4,856**	4,755	**9,157**	9,473	**-**	1	**61**	68	**1**	-	**14,075**	14,297
Financial assets at FVOCI	**-**	-	**-**	-	**-**	-	**-**	-	**12,280**	13,469	**12,280**	13,469
Deferred tax assets	**-**	-	**9**	10	**-**	-	**5,349**	5,558	**-**	48	**5,358**	5,616
Other assets	**4,910**	5,290	**10,030**	9,801	**918**	632	**2,279**	1,876	**6,553**	6,184	**24,690**	23,783
Total Assets	**96,583**	96,746	**68,660**	68,139	**19,815**	19,202	**13,181**	12,849	**19,055**	19,877	**217,294**	216,813
Total Liabilities	**22,693**	19,654	**34,816**	35,636	**6,830**	6,531	**14,727**	14,412	**34,610**	35,756	**113,676**	111,989
Total Equity	**73,890**	77,092	**33,844**	32,503	**12,985**	12,671	**(1,546)**	(1,563)	**(15,555)**	(15,879)	**103,618**	104,824

Transmission & Distribution (T&D)

T&D delivered a net profit of AED 1,448 million, a slight decline of AED 27 million compared to the previous period.

Revenue rose by AED 965 million to AED 9,139 million, primarily driven by an increase of AED 945 million in bulk supply tariff (BST) pass-through costs.

Operating costs increased by AED 1,044 million, largely due to the rise in BST-related pass-through expenses. Excluding these costs, the increase in operating expenses was mainly attributed to a higher allocation of staff costs to direct operations. This shift is also reflected in a reduction of AED 45 million in G&A expenses during the period.

Generation

Generation reported a net profit of AED 238 million, primarily driven by a lower contribution from associates and joint ventures.

Revenue remained stable at AED 2,938 million, broadly in line with the comparative period. Operating expenses increased slightly to AED 1,175 million, up AED 19 million period-on-period, largely due to the timing of planned maintenance activities.

G&A expenses rose to AED 111 million from AED 65 million in the prior period, mainly reflecting higher allocation of costs from corporate segment.

The share of results from associates and joint ventures was AED 3 million, linked to the performance of assets within the Group’s equity portfolio. Other income was AED 54 million lower, primarily due to the absence of a one-off AED 77 million gain in Q1 2024.

Foreign exchange gains totalled AED 39 million, an increase of AED 64 million compared to the prior period, driven by the appreciation of the Moroccan Dirham.

Finance costs declined by AED 45 million, reflecting a lower interest rate environment, while interest income also decreased by AED 27 million for the same reason.

Tax expense was AED 49 million lower period-on-period, largely due to deferred tax movements.

Water Solutions

Water Solutions reported a net profit of AED 167 million, a decrease of AED 19 million compared to Q1 2024.

Revenue increased to AED 636 million, up AED 16 million, reflecting the regulated nature of the business. This was offset by an AED 87 million rise in operating expenses, primarily linked to the exceptional weather event of April 2024.

DD&A expenses decreased by AED 39 million, following a technical reassessment and extension of asset useful lives.

Oil & Gas (O&G)

O&G contributed a net profit of AED 347 million, a decrease of 89 million, primarily reflecting lower oil prices and production volumes.

Revenue was AED 1,489 million, an AED 458 million reduction on the prior period. Average realised oil prices for continuing operations decreased to USD 63.45/bbl compared to USD 71.71/bbl in Q1 2024. Average realised gas prices increased to USD 3.46/mmbtu from USD 3.21/mmbtu. TAQA witnessed a reduction in production volumes – 94.9 mboe/d compared to 106.9 mboe/d in Q1 2024 – associated with the planned cessation of production (CoP) in several North Sea fields, in line with TAQA UK decommissioning plans. Four of TAQA UK's assets reached CoP in late 2024 – Tern, Eider, North Cormorant and Cormorant Alpha – marking the end of TAQA's hydrocarbon production in the Northern North Sea.

Operating expenses declined to AED 883 million, down AED 138 million from the prior period. The reduction was mainly due to lower repairs and maintenance costs and other operating expenses following the cessation of production in the Northern North Sea. These were partially offset by a higher overlift position compared to 2024.

O&G tax expense was AED 190 million lower than the prior period, primarily due to reduced profits driven by lower oil prices and production in the UK, as well as the phasing of tax loss utilisation.

Corporate

G&A expenses were AED 60 million lower compared to Q1 2024, primarily driven by a higher allocation of costs to the operating segments.

Foreign exchange gains declined by AED 108 million compared to Q1 2024, primarily driven by the impact of Euro denominated liabilities.

Dividend income was AED 313 million higher in the current quarter due to the timing of dividend received from investment in ADNOC Gas.

Finance costs increased by AED 71 million quarter-on-quarter, largely driven by an increase in overall debt levels to support the Group's strategic initiatives.

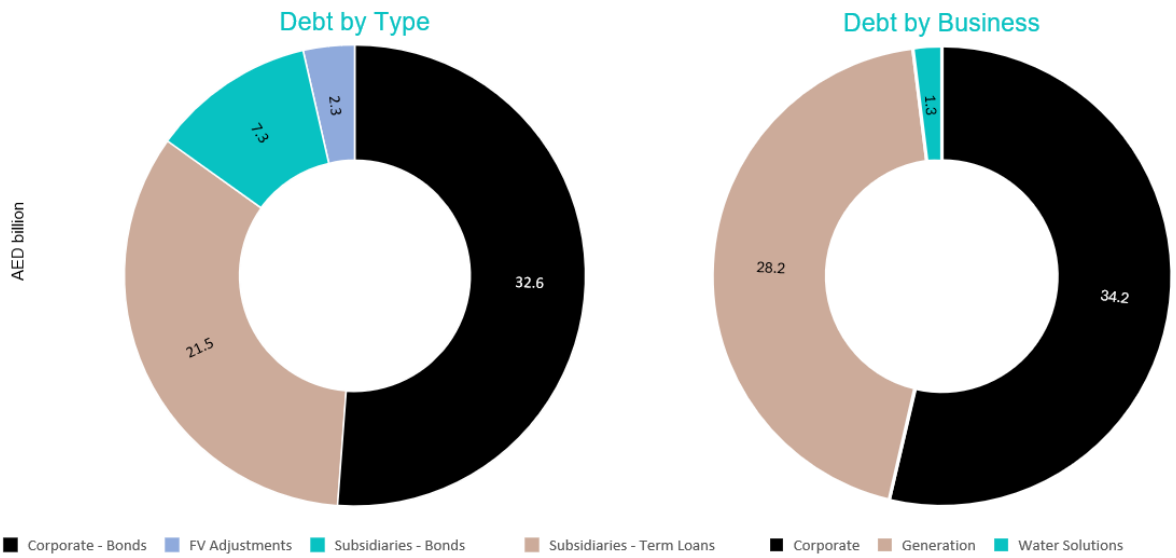
4. Capital Structure and Liquidity

Consolidated Position (AED million, except where indicated)	As at 31-Mar 2025	31-Dec 2024
Total assets	**217,294**	216,813
Total equity	**103,618**	104,824
Total debt	**63,721**	64,124
Net debt-to-capital ratio (1)	**34%**	35%
Unused portion of credit facilities	**13,406**	13,397
Net cash and cash equivalents	**9,461**	8,382
Total available liquidity	**22,867**	21,779

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

Capital Structure

TAQA's capital structure is comprised of 34% net debt based on the consolidated statement of financial position values as at 31 March 2025 and includes fair value adjustments.



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

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

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

As at 31 March 2025, after considering the effect of interest rate swaps and embedded derivatives, approximately 99% of the Group's borrowings attract a fixed rate of interest (December 2024: 99%) and the Group's overall cost of debt averaged 4.8% (December 2024: 4.8%)

Liquidity

The Group's total available liquidity was AED 22.9 billion, an increase of AED 1.1 billion from the end of 2024. Total available liquidity is made up of AED 13.4 billion unused part of available credit facilities and AED 9.5 billion net cash and cash equivalents.

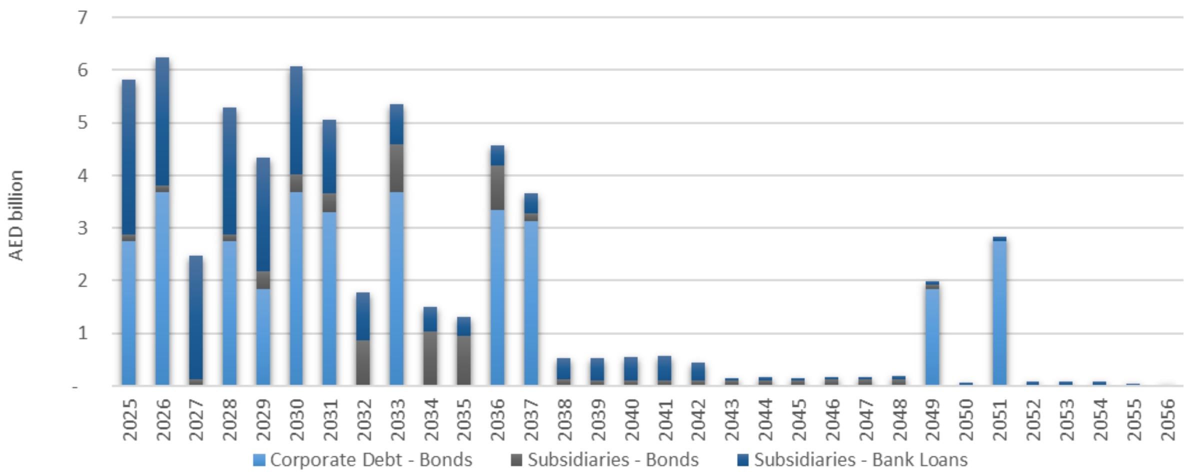
The Group's available credit facilities primarily consist of its AED 12.9 billion (USD 3.5 billion) multicurrency revolving credit facility (RCF) with a syndicate of 20 banks.

As at 31 March 2025, 9% (AED 6.0 billion) of the Group's total debt is classified as current, compared to 14% (AED 9.0 billion) as at 31 December 2024, based on the carrying value of borrowings. Fujairah Asia Power Company PJSC (FAPCO) was in technical default as at 31 December 2024 for failing to assign new insurances and reinsurances to the Security Trustees, as required under the Common Terms Agreement and the Commercial Mortgage. Although FAPCO fully remedied the default by January 2025 and obtained a waiver from the Global Facility Agent, the existence of the default at the 2024 year-end necessitated the reclassification of AED 3.1 billion of non-current debt to current liabilities in the statement of financial position. Following the resolution of the technical default, the reclassified loan amounts have been reinstated in line with their original contractual maturities.

Maturity Profile

As at 31 March 2025, the Group's total debt amounted to AED 63.7 billion, a decrease from AED 64.1 billion as at 31 December 2024, representing a net reduction of AED 0.4 billion. This decrease primarily reflects AED 0.8 billion in scheduled loan repayments, partially offset by AED 0.3 billion in additional debt drawdowns, related to construction progress on the Mirfa 2 RO and Shuweihat 4 RO desalination plants, as well as AED 0.1 billion in other non-cash movements.

The Group's financial liabilities repayment schedule as at 31 March 2025, based on contractual undiscounted payments, is as follows:



5. Capital Expenditure

	Period ended 31 March					
(AED million)	***Transmission & Distribution***	***Generation***	***Water Solutions***	***Oil & Gas***	***Corporate***	***Group Total***
2025	**1,058**	**819**	**180**	**131**	**-**	**2,187**
2024	725	557	131	270	-	1,683

The Group's total capital expenditure (additions to Property, Plant, and Equipment, excluding right-of-use assets) amounted to AED 2,187 million, a 30% increase compared to Q1 2024.

T&D capital expenditure was AED 1,058 million, an increase of AED 333 million, driven by the timing and phasing of project execution throughout the sector, relating to water and electricity network construction, enhancements, and upgrades.

Generation capital expenditure rose to AED 819 million, representing an increase of AED 262 million compared to the prior period. This increased investment was primarily driven by the accelerated development of the Al Dhafra OCGT project.

Water Solutions capital expenditure was AED 180 million, an increase of AED 49 million, mainly relating to the rehabilitation, replacement, and upgrades to existing sewer networks, pumping stations and treatment plants and the development of new networks.

O&G capital expenditure totaled AED 131 million, a decrease of AED 139 million. This reduction reflects the transition to decommissioning in the UK and lower capital spending on drilling and completions activity in our North American operations.

Jasim Thabet

Jasim Husain Thabet
Group Chief Executive Officer & Managing Director
14 May 2025

Stephen Ridlington
Chief Financial Officer