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

Results as at and for the period ended 31 March 2021

The comparative income statement included within the Management's Discussion and Analysis (MD&A) has been prepared on a pro forma basis. The basis of preparation for this comparative proforma financial information has been detailed within the Appendix of the MD&A. The comparative balance sheet information is that of TAQA and is therefore no proforma adjustments have been required. This document should be read in conjunction with TAQA's unaudited interim consolidated financial statements for the period ended 31 March 2021. Within the MD&A we use the terms "the Group", "we", and "our" to refer to TAQA.

1. Health and Safety, Security and Environment

		Three months ended 31 March							
		T&D		*Generation*[1]		*Oil & Gas*		*Group Total*	
HSSE Overview		**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Fatalities	*Number*	1	-	-	-	-	-	**1**	-
Recorded injury rate (RIR)	*(incident/1 million hrs)*	**0.25**	0.12	**0.00**	0.60	**2.13**	0.83	**0.60**	0.25
Lost time injury (LTI)	*Number*	**1**	1	**0**	0	**2**	1	**3**	2
Reportable spills	*Number*	**0**	0	**1**	1	**12**	7	**13**	8

[1] Refers to TAQA operated assets only

HSSE is a fundamental part of TAQA's business. TAQA enforces a strict set of rules, guidelines, and reporting tools to ensure a high level of professionalism and adherence to both local and global regulations wherever we operate.

The Group 2021 RIR of 0.60 is higher than the 2020 RIR for Q1 which was 0.25. There were 3 LTIs recorded in Q1 2021 while there were 2 LTIs in Q1 2020. 13 reportable spills were reported in Q1 2021 versus 8 in 2020 for the same period. The increase in these measures have been primarily driven by the Oil and Gas business line. As a result, we have set up working groups to investigate common causes and trends, and have put in place corrective measures to address these increases, all of which are designed to contribute in enhancing behavioral safety.

We regret to report that we had one fatal accident at one of our distribution companies in Abu Dhabi at an excavation site. TAQA have formed an independent team to carry out a full investigation to establish the root causes, identify lessons learned and develop safeguards to help to prevent a recurrence. Actions plans are being developed for implementation across TAQA where relevant.

2. Summary of Results

(AED million, except where indicated)	Three months Ended 31-Mar 2021	31-Mar 2020
Technical Availability – Generation (%)[1]	**88.7%**	89.2%
Oil & Gas Production (mboe/d)[2]	**120.7**	121.6
T&D Regulated Asset Value (RAV)	**80,135[5]**	82,678[6]
Gross Revenues	**10,326**	9,984
EBITDA[3]	**4,692**	4,178
Net Income[4]	**1,435**	(548)

1) *Represents weighted average for all power producing assets based on plant capacity.*
2) *Includes working interest production from North America and Europe, and entitlement volumes from Iraq.*
3) *Earnings Before Interest, Taxes, Depreciation and Amortisation defined as IFRS earnings before income tax, finance charges and depreciation, depletion and amortization.*
4) *Net income above is share attributable to common shareholders of TAQA.*
5) *RAV figure as at 31 December 2020*
6) *RAV figure as at 31 December 2019*

TAQA delivered strong performance underpinned by its stable contracted and regulated utilities businesses. Results were boosted by improved commodity prices in the oil and gas segment, reflecting a recovery from softer economic conditions in 2020. Highlights for the period include:

Financial highlights:

- Group revenues of AED 10.3 billion, 3% higher than the prior period, primarily due to higher commodity prices within the Oil & Gas segment.
- EBITDA was AED 4.7 billion, up 12%, mainly reflecting higher revenues, lower operating expenses and higher income from associates.
- Net income (TAQA-share) was AED 1.4 billion, an increase of around AED 2 billion, owing to significantly higher contribution from the Oil & Gas segment and the fact that Q1 2020 included an AED 1.5 billion post-tax impairment charge.
- Capital expenditure was AED 1.3 billion, an increase of 18% as a result of lower spend in 2020 as projects were delayed or postponed at the onset of the COVID-19 global pandemic.

Operational highlights:

- Generation global technical availability of 88.7% was marginally lower compared to the prior period, mainly due to unplanned outages within our international generation assets.
- Oil & Gas average production volumes were 120.7 mboepd, stable compared to the prior period as higher production in Europe almost entirely offset decreases in North America and Iraq.

3. Results of Operations by Business

3.1 Group Consolidated Results

	Three months ended 31 March									
	T&D		***Generation***		***Oil & Gas***		***Corp. & Elimination***		***Group Total***	
Group Proforma Consolidated Income Statement	**31-Mar**	31-Mar	**31-Mar**	31-Mar	**31-Mar**	31-Mar	**31-Mar**	31-Mar	**31-Mar**	31-Mar
(AED millions)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Total Revenues	**5,856**	5,746	**2,812**	2,883	**1,658**	1,355	**-**	-	**10,326**	9,984
Operating Expenses	**(3,526)**	(3,401)	**(927)**	(1,111)	**(726)**	(824)	**(7)**	(2)	**(5,186)**	(5,338)
G&A Expenses	**(268)**	(319)	**(82)**	(85)	**(49)**	(56)	**(94)**	(32)	**(493)**	(492)
Share of results of associates & joint ventures	**-**	-	**50**	34	**-**	-	**(5)**	(10)	**45**	24
EBITDA	**2,062**	2,026	**1,853**	1,721	**883**	475	**(106)**	(44)	**4,692**	4,178
Impairment losses	**-**	-	**-**	-	**-**	(2,004)	**-**	-	**-**	(2,004)
Depreciation, Depletion and Amortization	**(1,029)**	(962)	**(1,173)**	(1,156)	**(83)**	(351)	**10**	7	**(2,275)**	(2,462)
Finance Costs	**-**	(1)	**(461)**	(530)	**(108)**	(97)	**(239)**	(233)	**(808)**	(861)
Other Gains	**75**	10	**(25)**	51	**22**	73	**128**	1	**200**	135
Tax	**-**	-	**(61)**	(99)	**(334)**	503	**18**	14	**(377)**	418
Net Income (loss)	**1,108**	1,073	**133**	(13)	**380**	(1,401)	**(189)**	(255)	**1,432**	(596)

	As at									
	T&D		***Generation***		***Oil & Gas***		***Corp. & Elimination***		***Group Total***	
Group Consolidated Balance Sheet	**31-Mar**	31-Dec	**31-Mar**	31-Dec	**31-Mar**	31-Dec	**31-Mar**	31-Dec	**31-Mar**	31-Dec
(AED millions)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Property, plant & equipment	**83,776**	83,944	**35,995**	36,633	**5,545**	5,507	**(140)**	(135)	**125,176**	125,949
Operating Financial Assets	**-**	-	**10,826**	10,937	**-**	-	**-**	-	**10,826**	10,937
Investment in associates & joint ventures	**-**	-	**1,351**	2,016	**-**	-	**408**	413	**1.759**	2,429
Intangible assets	**4,755**	4,755	**14,071**	14,470	**6**	7	**-**	-	**18,832**	19,232
Other assets	**10,595**	11,224	**9,212**	9,223	**7,076**	6,809	**1,959**	1,124	**28,842**	28,380
Total Assets	**99,126**	99,923	**71,455**	72,055	**12,627**	12,323	**2,227**	2,626	**185,435**	186,927
Total Liabilities	**14,550**	14,754	**46,287**	48,482	**15,959**	15,660	**38,109**	38,776	**114,905**	117,672
Total Equity	**84,576**	85,169	**25,168**	24,797	**(3,332)**	(3,337)	**(35,882)**	(37,374)	**70,530**	69,255

3.2 Transmission & Distribution (T&D) Business

There has been continued steady performance within the T&D business line with net income for the period reaching AED 1.1 billion, an AED 35 million increase versus the prior period. Revenues and operating expenses for the period increased due to higher pass-through costs being incurred in relation to bulk supply tariffs within the distribution entities. The business line also saw one-off gains of AED 32 million resulting from the disposal of fully depreciated non-core assets and obsolete inventory items. The business line's G&A expenses decreased by AED 51 million period on period as a result of a continued focus on cost rationalization programs and efficiency drives.

3.3 Generation Business

Net income for the Generation business for the first quarter of 2021 increased to AED 133 million due to lower operational costs, improved results of associates, and reduced finance expenses, which was partially offset by lower revenues.

Total Generation revenues for the three months were AED 2.8 billion, a 2% decrease versus the same period in 2020 driven mainly by the international fleet. Our power plant in Morocco experienced lower technical availability following a prolonged outage in one of the units. As a result, lower fuel revenues were recognised in Morocco, a direct result of lower fuel consumption and therefore the pass-through fuel costs within operating expenses. The reduction in Morocco's profitability was mostly offset by the continued strong performance in the UAE generation fleet, Ghana and North America. Overall increase in net income was also supported by the recognition of TAQA's share of Sohar Aluminium's higher performance due to improved sales and higher aluminium prices.

3.4 Oil & Gas Business

The Oil & Gas business net income for the period ended 31 March 2021 was AED 380 million compared to a loss of AED 1.4 billion in the first quarter of 2020. The AED 1.8 billion increase in earnings was mainly driven by an AED 1.5 billion post-tax impairment taken across the assets in Q1 2020 due to the challenging market conditions at the start of 2020.

The primary driver for increase revenue was higher commodity prices during the current period as compared to the prior period. The Groups average realised oil price rose by 29% to $57.44/bbl in the current quarter versus the similar period in 2020. Similarly, average realised gas prices rose to $3.41/mmbtu, up from $2.13/mmbtu in 2020. Production for the period experienced a slight decrease of 1% from 121,622 boe/d in 2020 to 120,708 boe/d in 2021.

The O&G business continues to carefully monitor and control costs whilst maintaining safe and reliable production. This has provided a reduction in our cost base since the prior period, with reductions of over 10% in both Opex and G&A being recorded.

4. Capital Structure and Liquidity

	As at	
Group Consolidated Position	**31-Mar**	31-Dec
(AED million)	**2021**	2020
Total assets	**185,435**	186,927
Total equity	**70,530**	69,255
Total debt	**74,103**	76,007
Net debt-to-capital ratio [1]	**48%**	49%
Unused portion of credit facilities	**9,081**	8,154
Net cash and cash equivalents	**8,040**	8,321
Total Available Liquidity	**17,121**	16,475

1) 'Total debt' less 'net cash and cash equivalents' divided by 'Total equity' plus 'Total debt'.

4.1 Capital Structure

TAQA's capital structure is comprised of 48% debt, including project debt, corporate and subsidiaries bonds and loans, a revolving credit facility. Debt is based on the balance sheet values as at 31 March 2021 and includes fair value adjustments.

Interest rates for the Group's project debt, bonds and loans are largely fixed, either contractually or through interest rate hedging arrangements. TAQA's revolving credit facility attracts floating market rates and therefore is exposed to prevailing short-term LIBOR borrowing rates. As our medium and long-term bonds and loans mature, we may be required to refinance this debt at market rates, or utilise our other available liquidity. Accordingly, TAQA is partially exposed to interest rate risk in both the short and long term.

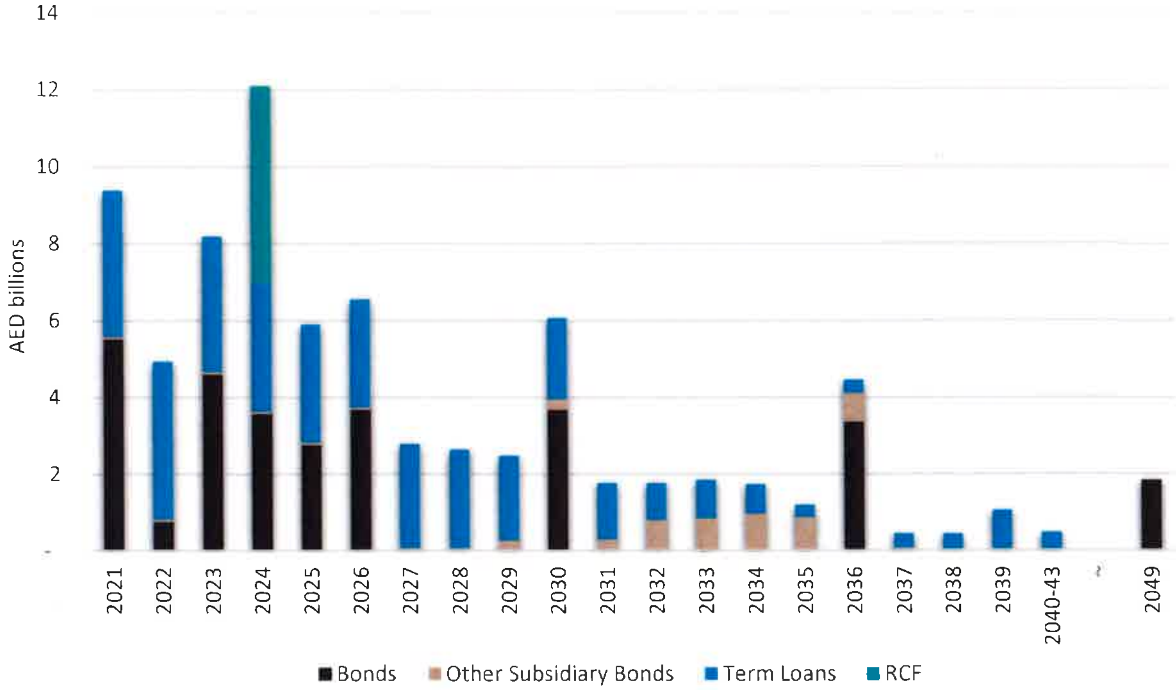
4.2 Liquidity

The Group has access to credit facilities with an unutilised balance of AED 9.1 billion as at 31 March 2021 (31 December 2020: AED 8.2 billion). This increase of AED 0.9 billion is the result of a repayment of revolving credit facility (RCF) during the first three months of 2021. In April, subsequent to the Q1 period end, the Group made a further repayment to the RCF of AED 0.9 billion increasing the unutilised balance to AED 10 billion.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash, bank overdrafts, bank loans and other borrowings. As of 31 March 2021, 13% of the Group's total debt is classified as current (31 December 2020: 12%), based on the carrying value of borrowings.

4.3 Maturity Profile

The Group's financial liabilities repayment schedule as at 31 March 2021 based on contractual undiscounted payments is as follows:



TAQA has AED 5.5 billion of corporate bonds maturing in 2021, with two separate maturities of AED 2.75 billion in June and December 2021. On 29 April 2021, the Company successfully raised AED 5.5 billion (US $1.5 billion) in a dual tranche dollar denominated bond issue. The two tranches consisted of AED 2.75 billion (US $750 million) bonds maturing 29 April 2028, with a coupon rate of 2.0% per annum and AED 2.75 million (US $750 million) bonds maturing 29 April 2051, with a coupon rate of 3.4% per annum. The proceeds from the issue will be used to repay the upcoming maturities in June and December 2021. This new AED 5.5 billion bond issuance is not reflected in the table above.

In addition to the bond issuance, TAQA is offering to purchase, for cash, all the outstanding corporate bonds maturing in 2021 and up to $250 million of the bonds maturing in January 2023, subject to certain conditions.

5. Capital Expenditure

	Three months ended 31 March			
(AED million)	T&D	Generation	O&G	Group Total
2021	**891**	**83**	**299**	**1,273**
2020	562	202	317	1,081

The Group's total capital expenditure during Q1 2021 was AED 1.3 billion, a 18% increase versus the same period of 2020.

Transmission & Distribution capex increased by 59% as a result of accelerated spend following prior period project cancellations and deferrals driven by the COVID-19 pandemic.

Generation capex decreased by 59% in 2021 mostly reflecting higher spend in the first quarter of 2020 mainly due to lifetime extension projects on turbines within our Shuweihat S1 plant.

Total Oil & Gas capex was 6% lower than the prior period, mostly driven by lower expenditures in Iraq and lower capex in our European assets in 2021, partially offset by higher spending in North America.

Jasim Husain Thabet
Chief Executive Officer & Managing Director

Stephen Ridlington
Chief Financial Officer

4 May 2021

Appendix: Pro Forma Financial Information

Basis of preparation

The Pro forma interim consolidated financial information ("Pro forma financial information") illustrates the effects on the statement of financial performance of the transaction whereby Abu Dhabi Power Corporation ("ADPower") contributed the majority of its power and water generation, transmission and distribution assets ("Acquired assets") to Abu Dhabi National Energy Company PJSC ("TAQA"). Further details of the transaction are detailed within note 1 of TAQA's interim condensed consolidated financial statements for the period ended 31 March 2021.

The Pro forma financial information consists of the unaudited pro forma interim consolidated statement of profit or loss for the three month period ended 31 March 2020. This statement is prepared as if the transaction has taken place as at 1 January 2020 with the exception of the bargain purchase on acquisition (detailed in note 1 of the 31 March 2021 interim condensed consolidated financial statements) which has been recognized as at the date of the transaction, 1 July 2020.

The purpose of the Pro forma financial information is to show the material effects that the transaction would have had on the historical consolidated statement of profit or loss as if the Group had already existed in the structure created by the transaction at 1 July 2020. They are not representative of the financial situation and performance that could have been observed if the indicated business combination had been undertaken at an earlier date.

The presentation of the Pro forma financial information of the Group is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the Pro forma financial information addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial performance of the Group.

The Pro forma financial information has been compiled based on the accounting policies adopted by the Group for the preparation of the 31 March 2021 interim condensed consolidated financial statements. Any impact due to changes in the accounting policy and adjustment have been reflected in prior comparative periods. The Pro forma financial information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the transaction. The Pro forma financial information gives no indication of the results and future financial situation of the Group.

Pro Forma Consolidated Statement of Profit or Loss (Unaudited)	**Period ended**	
(AED million)	**31 March**	31 March
	2021	2020
REVENUES		
Revenue from generation from power and water	**2,812**	2,883
Revenue from transmission and distribution of power and water	**5,856**	5,746
Revenue from oil and gas	**1,658**	1,355
	10,326	9,984
COST OF SALES		
Operating expenses	**(5,186)**	(5,338)
Depreciation, depletion and amortisation	**(2,275)**	(2,462)
Impairment losses	**-**	(2,004)
	(7,461)	(9,804)
GROSS PROFIT	**2,865**	180
General and administrative expenses	**(493)**	(492)
Finance costs	**(808)**	(861)
Net foreign exchange (loss) gain	**(11)**	59
Share of results of associates and joint ventures	**45**	24
Interest Income	**105**	11
Other income	**106**	65
PROFIT (LOSS) BEFORE TAX	**1,809**	(1,014)
Income tax (expense) credit	**(377)**	418
PROFIT (LOSS) FOR THE PERIOD	**1,432**	(596)
Attributable to:		
Equity holders of the parent	**1,435**	(548)
Non-controlling interests	**(3)**	(48)
	1,432	(596)