Q2 2025

MANAGEMENT’S DISCUSSION & ANALYSIS

For the period ended
30 June 2025

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 30 June 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 30 June									
		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)*	**0.16**	0.04	**0.83**	-	**0.14**	0.49	**1.86**	1.03	**0.43**	0.27
Lost time injury (LTI)	*Number*	**1**	1	**1**	-	**1**	3	**3**	1	**6**	5
Fatalities	*Number*	**2**	-	**0**	-	**0**	-	**0**	-	**2**	-
Reportable spills	*Number*	**0**	-	**0**	-	**0**	-	**8**	7	**8**	7
Reportable spills	*Volume (litres)*	**0**	-	**0**	-	**0**	-	**18,913**	2,156	**18,913**	2,156

1) Refers to TAQA operated assets only.
2) Excludes discontinued operations.
3) Q2 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 0.43 represents an increase from 0.27 from the same period of 2024. This increased Group RIR is due to an increased number of recordable injuries from 10 to 17, which included 2 fatalities and 6 lost time injuries.

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.

8 reportable spills were recorded as of the end of Q2 2025 compared to the 7 recorded in the same period of the previous year. The total spill volume released was 18,913 litres, compared to 2,156 litres in the same period of 2024.

Transmission & Distribution (T&D)

T&D RIR of 0.16 represents an increase from 0.04 for the same period of 2024, due to an increase in recordable injuries from 1 to 4, which included 2 fatal accidents and 1 lost time injury at our distribution company. The two 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 0.83 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 RIR of 0.14 represented a decrease from 0.49 for the same period of 2024, mainly due to a decrease of recordable injuries from 3 to 1. 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 1.86 represents an increase from 1.03 for the same period of 2024, due to a combination of c.8% lower activity levels and an increase of recordable injuries from 6 to 10, which included 3 lost time injuries. 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 30-Jun 2025	30-Jun 2024	Six months ended 30-Jun 2025	30-Jun 2024
Transmission network availability	%	**98.9**	98.6	**98.7**	98.5
Generation global commercial availability (1)	%	**98.6**	98.1	**97.1**	98.1
Water Solutions asset availability	%	**95.1**	94.8	**94.4**	96.4
Oil & Gas average production (2)	mboe/d	**92.1**	103.0	**93.5**	104.9
Gross Revenues		**14,226**	13,501	**28,428**	27,179
EBITDA		**4,969**	5,854	**10,227**	11,484
Net Income (3)		**1,627**	2,418	**3,710**	4,622
Capital expenditure (4)		**3,048**	2,387	**5,235**	4,070
Free cash flow generation (5)		**2,182**	4,050	**7,007**	4,324

(AED million)	As at 30-Jun 2025	31-Dec 2024
Total debt	**61,658**	64,124
T&D Regulated Asset Value (RAV)	**77,937**	76,855
Water Solutions Regulated Asset Value (RAV)	**18,019**	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 Q2 2024.
- **Generation global commercial availability** marginally reduced to 97.1% from 98.1% in the previous period.
- **Water Solutions asset availability** reduced to 94.4% from 96.4% in the previous period, as remediation works continue following the exceptional weather event of April 2024.
- **Oil & Gas production** decreased 10.9% to 93.5 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 4.5% to AED 28.4 billion, mainly driven by higher pass-through revenue in Transmission & Distribution (T&D).
- **EBITDA** was AED 10.2 billion, a decrease of 11% 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 3.7 billion, down 19.7% compared to the prior period.

- **Capital expenditure** increased by 28.6% to AED 5.2 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 7.0 billion, up from AED 4.3 billion in Q2 2024, primarily reflecting working capital movements, mainly within the T&D segment.
- **Gross debt** was AED 61.7 billion, down from AED 64.1 billion at the end of 2024, primarily due to the repayment of an AED 2.8 billion bond and AED 1.5 billion in scheduled project loan repayments, partially offset by AED 1.5 billion in new debt drawdowns and non-cash adjustments.

Strategic Highlights:

- **TAQA continued to advance its growth strategy in H1 2025, with progress across domestic and international markets.**
  - **Supporting the UAE's AI ambitions:**
    - TAQA signed a 24-year Power Purchase Agreement (PPA) with EWEC for the development of the 1 GW Al Dhafra Thermal project in the UAE. TAQA's Generation business will fully own, operate and maintain the facility, strengthening its O&M capabilities and reinforcing its leadership in flexible, dispatchable generation.
    - The project will support the recently announced EWEC and Masdar world-first 1 GW 'round-the-clock' solar PV and battery energy storage system initiative.
    - TAQA Transmission will develop advanced power grid infrastructure to integrate the additional generation capacity, supporting growing power demand from emerging sectors, including artificial intelligence and digital infrastructure. These critical energy infrastructure projects will directly advance the UAE National Strategy for Artificial Intelligence 2031 and UAE Net Zero by 2050 initiative.
  - **Expanding internationally with strategic acquisitions and agreements:**
    - TAQA Transmission acquired UK-based Transmission Investment ("TI"), a leading operator of offshore transmission ("OFTO") assets connecting offshore wind farms to the UK grid. The value of assets under TI's management stands at approximately AED 15 billion (GBP 3 billion), comprised of 11 OFTO assets. The acquisition of TI provides TAQA an attractive energy and utility investment platform to boost its international expansion plans.
    - TAQA Morocco and Nareva signed three Memoranda of Understanding and associated agreements with the Government of Morocco and the Office National de l'Electricité et de l'Eau potable. The agreements cover the potential acquisition of an existing gas power plant, the development of new gas-fired and renewable power generation, seawater desalination and transmission infrastructure in the Kingdom of Morocco.
    - TAQA and Mubadala jointly acquired the Talimarjan Power Complex in Uzbekistan, securing a 40% stake each in the 875 MW gas-fired plant via the newly formed Talimarjan Power Plant 1 LLC. Both also hold a 40% stake in Talimarjan Operations & Maintenance LLC, established to operate the plant.

- **Supporting the energy transition:**
  - TAQA and EWEC announced the signing of a PPA extension for the Shuweihat 1 (S1) power project. Under the terms of the PPA, the plant will be reconfigured from a cogeneration power and water desalination facility to a dedicated power plant, providing flexible reserve supply during peak power demand to support the increased integration of renewable and clean energy sources.
  - In the Netherlands, Porthos assumed control of TAQA's P18-A gas production platform and its associated wells and gas fields under the Dutch North Sea. This development supports Europe's first CO^2 storage facility, with TAQA executing the work on behalf of Porthos.
- **Advancing global renewables through Masdar**
  - Masdar completed the acquisition of 100% of Greek clean energy leader TERNA ENERGY, following a successful mandatory tender offer. TERNA ENERGY has since been delisted from the Athens Stock Exchange.
  - Masdar also issued its third green bond, raising USD 1 billion in two tranches (5- and 10-year tenors, at 4.875% and 5.375% coupons respectively). Proceeds will be directed exclusively to greenfield renewable energy projects under Masdar's Green Finance Framework.

3. Results of Operations by Business

Consolidated Income Statement	Transmission & Distribution		Generation		Water Solutions		Oil & Gas		Corp. & Elimination		Total	
	Period ended											
(AED millions)	30-Jun 2025	30-Jun 2024	30-Jun 2025	30-Jun 2024	30-Jun 2025	30-Jun 2024	30-Jun 2025	30-Jun 2024	30-Jun 2025	30-Jun 2024	30-Jun 2025	30-Jun 2024
Total revenues	**18,724**	16,555	**6,127**	6,060	**1,263**	1,213	**2,314**	3,351	**-**	-	**28,428**	27,179
Operating expenses	**(13,505)**	(11,292)	**(2,393)**	(2,186)	**(425)**	(342)	**(1,199)**	(1,592)	**(14)**	9	**(17,536)**	(15,403)
G&A expenses	**(580)**	(619)	**(214)**	(201)	**(70)**	(31)	**(73)**	(107)	**(103)**	(150)	**(1,040)**	(1,108)
Share of results of associates and JVs	**(123)**	-	**27**	190	**-**	-	**-**	-	**7**	4	**(89)**	194
Other income	**45**	86	**44**	126	**23**	1	**2**	3	**27**	(7)	**141**	209
FX gains / (losses)	**-**	-	**130**	(22)	**-**	-	**43**	9	**(163)**	80	**10**	67
Dividend income	**-**	-	**-**	-	**-**	-	**-**	-	**313**	298	**313**	298
Profit from discontinued operations	**-**	-	**-**	-	**-**	-	**-**	48	**-**	-	**-**	48
EBITDA	**4,561**	4,730	**3,721**	3,967	**791**	841	**1,087**	1,712	**67**	234	**10,227**	11,484
DD&A expenses	**(1,745)**	(1,714)	**(2,123)**	(2,247)	**(366)**	(357)	**(400)**	(409)	**(8)**	7	**(4,642)**	(4,720)
Finance costs	**(12)**	(1)	**(704)**	(784)	**(50)**	(57)	**(162)**	(217)	**(593)**	(437)	**(1,521)**	(1,496)
Interest income	**80**	105	**120**	192	**8**	8	**153**	178	**(156)**	(185)	**205**	298
Tax expense	**(148)**	(185)	**(148)**	(208)	**(30)**	(26)	**(11)**	(351)	**(1)**	(31)	**(338)**	(801)
Total profit / (loss)	**2,736**	2,935	**866**	920	**353**	409	**667**	913	**(691)**	(412)	**3,931**	4,765
Non-controlling interest	**-**	-	**(203)**	(127)	**(18)**	(16)	**-**	-	**-**	-	**(221)**	(143)
Net profit / (loss) (TAQA share)	**2,736**	2,935	**663**	793	**335**	393	**667**	913	**(691)**	(412)	**3,710**	4,622

Consolidated Balance Sheet	Transmission & Distribution		Generation		Water Solutions		Oil & Gas		Corp. & Elimination		Total	
	As at											
(AED millions)	30-Jun 2025	31-Dec 2024	30-Jun 2025	31-Dec 2024	30-Jun 2025	31-Dec 2024	30-Jun 2025	31-Dec 2024	30-Jun 2025	31-Dec 2024	30-Jun 2025	31-Dec 2024
Property, plant & equipment	**86,621**	84,740	**26,436**	26,318	**19,059**	18,569	**5,551**	5,347	**(171)**	(32)	**137,496**	134,942
Operating financial assets	**-**	-	**7,884**	7,821	**-**	-	**-**	-	**-**	-	**7,884**	7,821
Investment in and loans to associates & JVs	**1,109**	1,160	**15,648**	14,657	**-**	-	**-**	-	**208**	208	**16,965**	16,025
Intangible assets	**5,303**	4,755	**8,846**	9,473	**-**	1	**49**	68	**-**	-	**14,198**	14,297
Financial assets at FVOCI	**-**	-	**-**	-	**-**	-	**-**	-	**13,124**	13,469	**13,124**	13,469
Deferred tax assets	**-**	-	**10**	10	**1**	-	**5,137**	5,558	**-**	48	**5,148**	5,616
Other assets	**4,592**	6,150	**10,925**	9,801	**756**	632	**2,443**	1,876	**3,668**	6,184	**22,384**	24,643
Total Assets	**97,625**	96,805	**69,749**	68,080	**19,816**	19,202	**13,180**	12,849	**16,829**	19,877	**217,199**	216,813
Total Liabilities	**23,124**	19,654	**35,282**	35,636	**6,866**	6,531	**14,098**	14,412	**32,304**	35,756	**111,674**	111,989
Total Equity	**74,501**	77,151	**34,467**	32,444	**12,950**	12,671	**(918)**	(1,563)	**(15,475)**	(15,879)	**105,525**	104,824

Transmission & Distribution (T&D)

T&D reported a net profit of AED 2,736 million, a decrease of AED 199 million compared to the prior period.

Revenue increased by AED 2,169 million to AED 18,724 million, largely due to higher bulk supply tariff (BST) pass-through costs. These BST-related costs also contributed to a corresponding increase in operating expenses, which rose by AED 2,213 million to AED 13,505 million.

Excluding the impact of BST, operating expenses were higher due to a greater allocation of staff costs to direct operations. This operational shift was also reflected in an AED 39 million reduction in general and administrative (G&A) expenses during the period.

Generation

Generation reported a net profit of AED 663 million, a decline primarily attributable to a lower contribution from associates and joint ventures.

Revenue increased by AED 67 million to AED 6,127 million, remaining broadly in line with the comparative period. Operating expenses rose by AED 207 million to AED 2,393 million, mainly due to the timing of planned maintenance activities.

The share of results from associates and joint ventures amounted to AED 27 million, reflecting the performance of assets within the Group's equity portfolio. Other income declined by AED 82 million, largely due to the absence of a one-off gain of AED 77 million recorded in 2024.

Foreign exchange gains totaled AED 130 million, an increase of AED 152 million year-on-year, driven by the appreciation of the Moroccan Dirham.

Depreciation, depletion and amortisation (DD&A) decreased following a revision of the estimated useful life of the Shuweihat S1 power plant, in line with a 15-year extension agreement signed with Emirates Water and Electricity Company (EWEC).

Finance costs decreased by AED 80 million, primarily due to the scheduled repayment of term loans. Interest income declined by AED 72 million, reflecting the impact of lower prevailing interest rates.

Tax expense was AED 60 million lower compared to the prior period, mainly due to movements in deferred tax balances.

Water Solutions

Water Solutions reported a net profit of AED 335 million, a decrease of AED 58 million compared to the prior period.

Revenue increased to AED 1,263 million, up AED 50 million, reflecting the regulated nature of the business. This was offset by an AED 83 million rise in operating expenses, primarily linked to the continuing remedial efforts following the exceptional weather event of April 2024.

Oil & Gas (O&G)

O&G contributed a net profit of AED 667 million, a decrease of 246 million, primarily reflecting lower oil prices and production volumes.

Revenue was AED 2,314 million, an AED 1,037 million reduction on the prior period. Average realised oil prices for continuing operations decreased to USD 66.01/bbl compared to USD 71.94/bbl in Q2 2024. Average realised gas prices increased to USD 3.02/mmbtu from USD 2.76/mmbtu. TAQA witnessed a reduction in production volumes – 93.5 mboe/d compared to 104.9 mboe/d in Q2 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 1,199 million, down AED 393 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 340 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

General and administrative (G&A) expenses are AED 47 million lower primarily due to higher allocation of costs to the operating segments.

The strengthening of the Euro resulted in a foreign exchange loss of AED 163 million, driven by currency movements on Euro-denominated balances within the Group.

Finance costs increased by AED 156 million, largely driven by an increase in overall debt levels to support the Group's strategic initiatives.

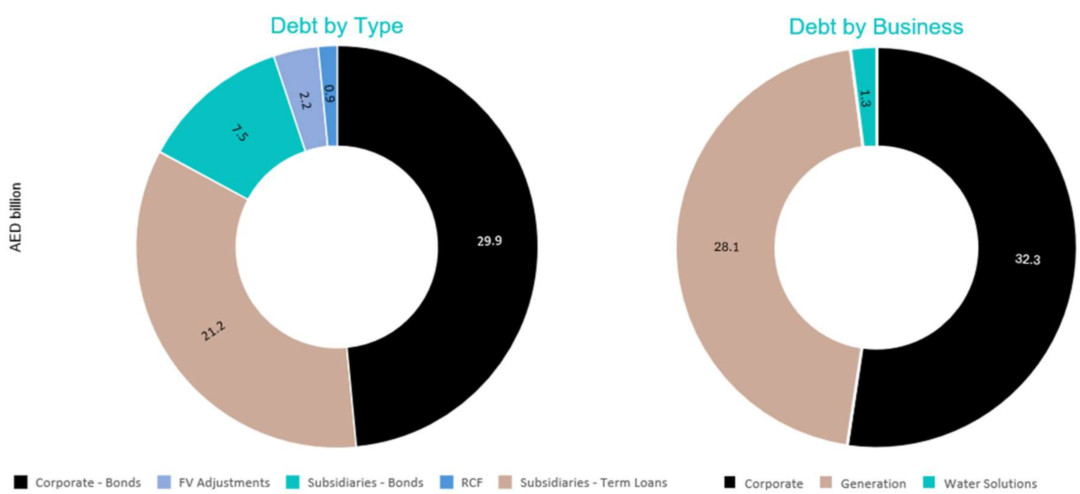
4. Capital Structure and Liquidity

	As at	
Consolidated Position	**30-Jun**	31-Dec
(AED million, except where indicated)	**2025**	2024
Total assets	**217,199**	216,813
Total equity	**105,525**	104,824
Total debt	**61,658**	64,124
Net debt-to-capital ratio (1)	**34%**	35%
Unused portion of credit facilities	**12,483**	13,397
Net cash and cash equivalents	**7,494**	8,382
Total available liquidity	**19,977**	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 30 June 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 30 June 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 20.0 billion, a decrease of AED 1.8 billion from the end of 2024. Total available liquidity is made up of AED 12.5 billion unused part of available credit facilities and AED 7.5 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 30 June 2025, the Group utilized AED 0.9 billion of the credit facility.

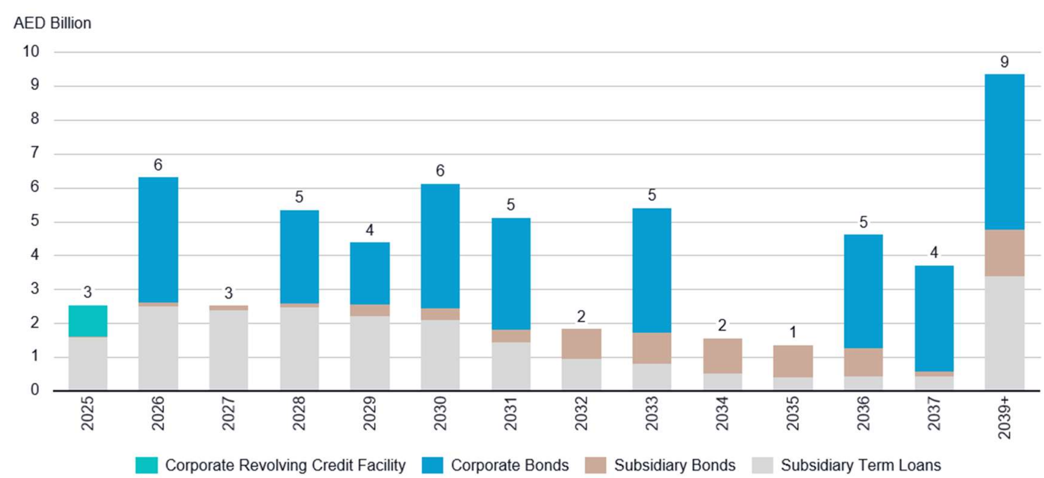
As at 30 June 2025, 10.4% (AED 6.4 billion) of the Group's total debt is classified as current, compared to 14.3% (AED 9.2 billion) as at 31 December 2024, based on the carrying value of borrowings. Fujairah Asia Power Company PJSC (FAPCO) was in technical default as at 31 December 2024 for failing to 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 30 June 2025, the Group's total debt amounted to AED 61.7 billion, reflecting a net decrease of AED 2.4 billion compared to AED 64.1 billion as at 31 December 2024.

This reduction primarily resulted from the repayment of an AED 2.8 billion bond upon maturity and AED 1.5 billion in scheduled project loan repayments. Offsetting these were an AED 0.9 billion net drawdown under the Group's revolving credit facility and AED 0.6 billion in new debt drawdowns to support ongoing construction activities at the Mirfa 2 RO and Shuweihat 4 RO desalination plants. The period also included AED 0.4 billion in non-cash movements, including foreign exchange and other adjustments.

The Group's financial liabilities repayment schedule as at 30 June 2025, based on contractual undiscounted payments, is as follows:



5. Capital Expenditure

(AED million)	*Transmission & Distribution*	*Generation*	*Water Solutions*	*Oil & Gas*	*Corporate*	*Group Total*
			Period ended 30 June			
2025	**2,879**	**1,479**	**527**	**350**	**-**	**5,235**
2024	1,918	1,000	663	489	-	4,070

The Group's total capital expenditure (additions to Property, Plant, and Equipment, excluding right-of-use assets) amounted to AED 5,235 million, a 28.6% increase compared to the prior period.

Capital expenditure in the T&D segment increased by AED 961 million compared to the prior period, primarily driven by the phasing of business-as-usual network enhancements and upgrades, as well as the continued execution of key special projects.

Generation capital expenditure increased by AED 479 million, primarily driven by the development of the 1 GW Al Dhafra Thermal project.

Water Solutions capital expenditure declined by AED 136 million, reflecting higher prior-year investments in response to the 2024 exceptional weather event.

O&G capital expenditure declined by AED 139 million, reflecting the transition to decommissioning in the UK and lower investment on drilling and completions North America.

Jasim Thabet

Jasim Husain Thabet
Group Chief Executive Officer & Managing Director
13 August 2025

Stephen Ridlington
Chief Financial Officer