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

As at and for the period ended 31 March 2019

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This Management's Discussion and Analysis (MD&A) should be read in conjunction with TAQA's unaudited consolidated financial statements as at and for the period ended 31 March 2019. 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					
		Power & Water[1]		Oil & Gas		Group Total	
HSSE Overview		**2019**	2018	**2019**	2018	**2019**	2018
Fatalities	*Number*	**0**	0	**0**	0	**0**	0
Recorded injury rate	*(incident/200k hrs)*	**0.00**	0.20	**0.92**	0.32	**0.65**	0.28
Lost time injury	*Number*	**0**	1	**7**	1	**7**	2
Reportable spills	*Number*	**1**	0	**7**	18	**8**	18

1) Refers to TAQA operated assets only

In Q1 2019, the Year to Date (YTD) Global Recordable Injury Rate (RIR) was 0.65, which was higher than the Q1 2018 YTD RIR of 0.28. This was primarily driven by a number of recordable incidents in January, combined with a low man-hour build impacting the denominator of the incident/200k hours KPI. However, as we moved through Q1 we witnessed a significant decline in incidents. The company also observed an encouraging reduction in reportable spills with 8 spill incidents in Q1 2019 compared to 18 spill incidents recorded in Q1 2018.

2. Summary of Results

Quarterly Results (AED million, except where indicated)	Three Months Ended 31-Mar 2019	31-Dec 2018	30-Sep 2018	30-Jun 2018	31-Mar 2018
Technical Power Availability (%)[1]	**88.9%**	91.4%	97.8%	97.9%	87.4%
Oil & Gas Production (mboe/d)[2]	**126.7**	126.3	124.8	117.4	123.8
Gross Revenues	**4,330**	4,204	4,935	4,264	4,337
EBITDA[3]	**2,371**	2,301	2,593	2,418	2,340
Profit for the Period	**181**	179	432	437	304
Net Income (Loss)[4]	**6**	(33)	153	168	110
Profit (Loss) per Share (AED per Share)	**0.001**	(0.005)	0.025	0.028	0.018
Total Asset	**98,771**	99,337	99,782	101,564	101,546
Shareholder's Equity	**10,413**	10,559	10,689	10,201	9,480
Capital Expenditure[5]	**435**	457	428	401	428
Free Cash Flow[6]	**1,476**	1,483	2,251	1,795	1,578

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 volume from Iraq.*
3) *Earnings Before Interest, Taxes, Depreciation and Amortization defined as IFRS earnings before income tax, finance charges and depreciation, depletion and amortization.*
4) *Net income (loss) above is portion attributable to common shareholders of TAQA shares.*
5) *Includes Purchase of property, plant and equipment and purchase of intangible assets only*
6) *Free cash flow is defined as operating cash flows less investing cash flows as per the IFRS cash flow statement.*

2.1 Operational Highlights

Power & Water

Q1 2019 Technical Availability across the fleet was consistent with winter period seasonality fluctuations, averaging 88.9%, compared to 87.4% in the first quarter of 2018. The UAE portfolio of assets improved by 3.9% to 89.6% in the first quarter of 2019, while the International fleet declined from 94.8% in Q1 2018 to 85.9% in Q1 2019.

Global power generation for the quarter was 17,597 GWh, slightly reduced from 18,773 GWh generated in Q1 2018. International power generation was 6,270 GWh for the period, a 5% reduction versus Q1 2018 mostly due to a forced outage at our Ghanaian asset. The UAE power generation remained relatively stable with 11,327 GWh produced in Q1 2019, a reduction compared to 12,157 GWh produced in the first three months of 2018. UAE Water desalination was 54,408 million imperial gallons (MIG) for the quarter, versus 56,273 MIG in Q1 2018, with TAQA continuing to supply the majority of Abu Dhabi's requirements.

Oil & Gas

Average production for the first quarter of 2019 was 126,651 boepd, a 2% increase when compared to 123,847 boepd in Q1 2018. Strong well performance in our European assets saw hydrocarbon production for Q1 2019 increase to 43,877 boepd, an improvement versus 42,001 boepd in Q1 2018 first quarter. The Atrush block in Kurdistan, also contributed to overall increase in volumes. TAQA Atrush entitlement production was 5,629 boepd in Q1 2019, a 153% improvement versus the production in the first three months of 2018 of 2,224 boepd driven by improved well performance and continued development of the asset. Q1 2019 Gross production for the Atrush asset was 26,284 boepd, an increase of 11% versus the same period in 2018 (23,639 boepd). These increases were offset by a 3% decrease in North American production, with Q1 2019 production of 77,145 boepd versus 79,622 boepd in the prior year comparative period. This reduction was mainly driven by maintenance shutdowns on our Red Rock asset in Q1 2019.

2.2 Financial Highlights

Q1 2019 Group revenues topped AED 4.3 billion, with revenues generated from both Power & Water and Oil & Gas being fundamentally in line with their respective comparatives in Q1 2018.

Q1 2019 EBITDA was AED 2.4 billion, a 1% increase versus the first three months of 2018. Strong performance from the Oil & Gas businesses was responsible for the improved results with an AED 162 million increased EBITDA from the prior year.

The profit (TAQA-Share) for the first quarter of 2019 was AED 6 million versus AED 110 million in Q1 2018. Whilst the Group maintained steady operational results, the bottom line was negatively impacted by adverse movements on mark-to-market revaluations (AED 42 million negative variance from prior year) within our US-based power asset, and by unfavorable foreign exchange losses (AED 62 million negative variance from prior year).

Total liquidity at the end of the first quarter of 2019 remained strong at AED 13.0 billion including AED 3.1 billion in cash and cash equivalents, and AED 10.0 billion of undrawn credit facilities.

Total debt of AED 66.3 billion as of December 2018, was reduced by AED 907 million throughout the first quarter of 2019 to AED 65.4 billion, and interest paid in Q1 2019 was down AED 123 million when compared to the same period in 2018.

3. Business Environment

3.1 Average Benchmarks

		Three Months Ended				
		31-Mar	31-Dec	30-Sep	30-June	31-Mar
Average Benchmark Summary		**2019**	2018	2018	2018	2018
Brent Crude Oil Price	*($US/bbl)*	**63.3**	67.4	78.5	74.5	63.5
West Texas Intermediate (WTI) Oil Price	*($US/bbl)*	**54.9**	58.8	69.7	67.9	62.8
AECO Natural Gas Price[1]	*($US/Mmbtu)*	**1.96**	1.24	0.96	0.95	0.97
NBP - National Balancing Point	*($US/Mmbtu)*	**6.3**	8.4	8.4	7.3	8.4
USD/GBP Exchange Rate[2]	*($US)*	**1.304**	1.273	1.303	1.321	1.408
USD/CAD Exchange Rate[2]	*($US)*	**0.749**	0.737	0.778	0.761	0.774
USD/EUR Exchange Rate[2]	*($US)*	**1.123**	1.147	1.161	1.168	1.231
USD/MAD Exchange Rate[2]	*($US)*	**0.103**	0.105	0.106	0.106	0.109

1) Benchmark prices are converted from their local currency to $US using average exchange rates for the period.

2) Exchange rates reflect monthly closing rates. AED is pegged to the USD at a rate of 3.673:1.

3.2 Crude Oil

Approximately 40% of the Group's hydrocarbon production is crude oil. TAQA produces crude oil in Europe, Iraq, and North America. Europe and Iraq production is sold based on Brent-linked pricing while North American production is sold based on WTI, Edmonton, and Western Canadian Select (WCS) prices. TAQA also produces NGLs which make up approximately 9% of hydrocarbon production, primarily in North America and these are also linked to WTI prices, with relevant discounts for propane, butane, and condensate.

During Q1 2019, Brent prices were relatively stable, rising from $52/bbl at the start of January to end the quarter above $67/bbl. The market strengthened slightly as Russia and OPEC continued to constrain supplies, bringing global supply-demand into balance within the $60-$70/bbl range.

3.3 Natural Gas

Approximately 87% of the Group's natural gas is produced in North America, substantially all of which is in western Canada. Most of this gas is sold into the local market based on AECO benchmark prices, which averaged approximately $2/MMBtu for Q1 2019. AECO is the local natural gas benchmark, which trades at a substantial discount to NYMEX or Henry Hub benchmarks in the U.S. due to regional oversupply and lack of pipeline egress. Presently, there is no direct access for Canadian producers to liquefied natural gas export terminals, although producers and governments continue to promote and explore opportunities to develop the necessary facilities and infrastructure to reach international markets.

In Europe, TAQA sells most of its natural gas production at spot rates based on NBP (UK) and TTF (Netherlands) price benchmarks. NBP price was strong during the most recent quarter, averaging $6.28/mmbtu. Gas production in Europe accounts for 13% of total Group gas production.

3.4 Interest Rates

In March 2019 the U.S. Federal Reserve held its Fed Funds Reserve Rate steady at a target range of 2%- 2.5%. The market however expects that the Fed will resume increasing the rate later in the year, largely driven by strength and stability in the U.S. economy, but also global expectations for economic growth.

3.5 Foreign Exchange

In Q1 2019, the Canadian dollar held steady against the U.S. Dollar at approximately 1.33. The pound held steady at approximately 1.30 as continued Brexit uncertainty weighed on the markets. The Euro held mostly steady against the U.S. Dollar at approximately 1.14 throughout the quarter, before weakening to 1.12 at the end of the period.

4. Results of Operations

4.1 Group Consolidated Results

	Three Months Ended							
	Power & Water		*Oil & Gas*		*Corp. & Elimination*		*Group Total*	
Group Net Income (Loss) Summary	**31-Mar**	31-Mar	**31-Mar**	31-Mar	**31-Mar**	31-Mar	**31-Mar**	31-Mar
(AED millions)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Total Revenues	**2,721**	2,735	**1,609**	1,599	**-**	3	**4,330**	4,337
Operating Expenses	**(1,109)**	(1,067)	**(728)**	(871)	**-**	-	**(1,837)**	(1,938)
Shared Results of Associates	**2**	3	**-**	-	**28**	3	**30**	6
Shared Results of Joint Venture	**-**	-	**-**	-	**5**	11	**5**	11
General and Administrative Expenses	**(64)**	(55)	**(56)**	(65)	**(37)**	44	**(157)**	(76)
Depletion, Depreciation and Amortization	**(475)**	(474)	**(506)**	(430)	**(2)**	1	**(983)**	(903)
Finance Costs	**(477)**	(500)	**(158)**	(158)	**(401)**	(377)	**(1,036)**	(1,035)
Foreign Exchange Gain (Loss)	**(14)**	23	**(1)**	(26)	**(50)**	-	**(65)**	(3)
Changes in Fair Value of Derivatives	**(19)**	24	**-**	-	**-**	(1)	**(19)**	23
Gain for Sale of Land and O&G Asset	**-**	-	**9**	1	**-**	-	**9**	1
Interest Income	**-**	-	**-**	-	**18**	15	**18**	15
Other Gains (Losses)	**5**	5	**-**	(1)	**2**	-	**7**	4
Profit (Loss) Before Taxes and NCI	**570**	**694**	**169**	**49**	**(437)**	**(301)**	**302**	**442**

Group profit before taxes and NCI for the first quarter of 2019 was AED 302 million compared to AED 442 million for the same period in 2018. The decline of AED 140 million was mainly due to unfavorable mark-to-market movements in our US-based power asset, as well as overall foreign exchange losses and higher depreciation as a result of increased production. EBITDA in Q1 2019 stood at AED 2,371 million was slightly higher than the prior year comparative of AED 2,340 million.

Corporate

Losses before tax for corporate for first quarter of 2019 was AED 437 million compared to AED 301 million in the prior year. The increase in losses of AED 136 million was mainly due to unfavorable foreign exchange movements, as well as higher general and administrative expenses. This was partially offset by higher share of results of associates driven by higher equity earnings from Sohar Aluminum in 2019 versus the same period of 2018.

4.2 Power & Water Business

	Three Months Ended					
	UAE Power & Water		*International Power*		*Power & Water Total*	
P&W Net Income (Loss) Summary	**31-Mar**	31-Mar	**31-Mar**	31-Mar	**31-Mar**	31-Mar
(AED millions)	**2019**	2018	**2019**	2018	**2019**	2018
Total Revenues	1,664	1,643	1,057	1,092	2,721	2,735
Operating Expenses	(408)	(360)	(701)	(707)	(1,109)	(1,067)
Shared Results of Associates	-	-	2	3	2	3
General and Administrative Expenses	(40)	(35)	(24)	(20)	(64)	(55)
Depletion, Depreciation and Amortization	(458)	(458)	(17)	(16)	(475)	(474)
Finance Costs	(413)	(427)	(64)	(73)	(477)	(500)
Foreign Exchange Gain (Loss)	-	1	(14)	22	(14)	23
Changes in Fair Value of Derivatives	-	-	(19)	24	(19)	24
Other Gains	-	-	5	5	5	5
Profit (Loss) Before Taxes and NCI	345	364	225	330	570	694

Profit before taxes and NCI

Profit before tax and NCI for the power and water business for the three months period ending March 2019 was AED 570 million compared to AED 694 million for the same period in 2018. This decrease in earnings was partially driven by increased operating and maintenance expense in the UAE power and water plants, unfavorable changes in fair value of derivatives at Red Oak in the USA, and foreign exchange losses.

Revenues

Total Power & Water revenues for Q1 2019 was AED 2.7 billion, a slight 1% decrease versus the same period of 2018. UAE power and water revenues improved marginally year on year while international power assets showed an overall 3% reduction due to a forced outage in Ghana.

Operating Expenses (Opex), General & Administrative Expenses (G&A)

Opex increased by 4% to AED 1,109 million in Q1 2019. The increase of AED 42 million was mainly due to higher operational costs in UAE due to the prior year comparative being reduced by a reversal of a provision following the renegotiation of an operating and maintenance contract. This was partially offset by a decrease of AED 6 million in our International power assets. Overall G&A expenses were increased by AED 9 million due to an increase in manpower costs and professional services.

Depletion, Depreciation and Amortization (DD&A)

DD&A remains substantially unchanged for the first three months of 2019 versus 2018, due to the unchanged life of the PWPA's and PPA's.

Finance Costs

A reduction in finance costs of AED 23 million for the quarter was consistent with lower debt balances as a result of principal repayments made on project debt throughout the year.

4.3 Oil & Gas Business

	Three Months Ended							
	O&G North America		O&G Europe		O&G Atrush		O&G Total	
Oil & Gas Net Income (Loss) Summary (AED millions)	**31-Mar 2019**	31-Mar 2018	**31-Mar 2019**	31-Mar 2018	**31-Mar 2019**	31-Mar 2018	**31-Mar 2019**	31-Mar 2018
Total Revenues	**508**	**479**	**1,011**	**1,082**	**90**	**38**	**1,609**	**1,599**
Operating Expenses	**(236)**	**(264)**	**(466)**	**(593)**	**(26)**	**(14)**	**(728)**	**(871)**
General and Administrative Expenses	**(33)**	**(40)**	**(13)**	**(17)**	**(10)**	**(8)**	**(56)**	**(65)**
Provision for Impairment - PPE and Dry Hole	-	-	-		-	-	-	-
Depletion, Depreciation and Amortization	**(227)**	**(247)**	**(244)**	**(168)**	**(35)**	**(15)**	**(506)**	(430)
Finance Costs	**(28)**	**(27)**	**(130)**	**(131)**	-	-	**(158)**	(158)
Foreign Exchange Gain (Loss)	**(1)**	**3**	-	**(29)**	-	-	**(1)**	(26)
Gain for Sale of Land and O&G Asset	**9**	**1**	-	-	-	-	**9**	1
Other Gains	-	**(1)**	-	-	-	-	-	**(1)**
Profit (Loss) Before Taxes and NCI	**(8)**	(96)	**158**	144	**19**	1	**169**	49

Profit before taxes and NCI

Profit before tax and NCI for the oil and gas business for the first quarter of 2019 was AED 169 million compared to AED 49 million for the same period in 2018. The AED 120 million increase in earnings was mainly driven by lower operating expenses and G&A, favorable foreign exchange movements and other favorable variances, partially offset by higher DD&A.

Revenues

Overall higher revenues of AED 10 million, were driven by higher hydrocarbon revenues (higher volumes partially offset by lower realized oil and liquids prices), lower North American royalties predominantly due to lower NGL prices and marginally higher midstream revenues. This was partially offset by lower midstream trading income and processing income.

Operating Expenses (Opex), General & Administrative Expenses (G&A)

Lower Opex of AED 143 million was due to favorable impact of lower overlift position in Europe as well as lower midstream trading expenses (offset with lower trading income detailed above). Lower operating expenses in North America partially due to lower variable Opex in line with the reduced production.

Depletion, Depreciation and Amortization (DD&A)

Higher DD&A of AED 76 million were in line with higher production volumes witnessed during the first quarter of 2019.

5. Taxes for the Period

The Group's tax expense for the three month period ending March 2019 was AED 121 million compared to AED 138 million for the same period in 2018.

6. Capital Structure and Liquidity

	Capital Structure				
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
(AED million)	2019	2018	2018	2018	2018
Total Asset	**98,771**	99,337	99,782	101,564	101,546
Shareholder's Equity	**10,413**	10,559	10,689	10,201	9,480
Total Debt	**65,364**	66,271	66,516	68,578	69,435
Net Debt	**62,306**	62,879	63,530	64,525	65,794
Net Debt/Net Capital[1]	**83%**	83%	84%	84%	85%
Unused Portion of Credit Facilities	**9,979**	9,719	10,188	10,580	8,946
Cash and Cash Equivalents	**3,058**	3,392	2,986	4,053	3,641
Total Available Liquidity	**13,037**	**13,111**	**14,633**	**12,587**	**15,368**

1) Equity has been adjusted for exclusion of losses on cumulative changes in fair value of derivatives in cash flow hedges.

6.1 Interest Rate Risk

TAQA's capital structure is comprised of 83% debt, including project debt, corporate bonds and loans, revolving credit facilities, and working capital loans. 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 facilities are based on floating market rates and therefore are exposed to prevailing short term borrowing rates under LIBOR. As our medium and long-term bonds and loans mature, we may be required to refinance this debt at market rates, or utilize our other available liquidity. Accordingly, TAQA is exposed to interest rate risk in both short term and long term.

The Group's results are exposed to the risk of changes in market interest rates, primarily for 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.

6.2 Foreign Currency Risk

TAQA has assets and operations in 11 countries and reports under the Group's functional currency of AED. Although the AED is pegged to the USD, in which a substantial amount of the Group's revenues and expenses are incurred. However, a significant portion of the Group's transactions are in local currencies in which TAQA operates, which adds volatility to our results in AED terms.

Within our financial results, 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 difference 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, primarily in Euros.

6.3 Commodity Price Risk

The Group's oil and gas business is heavily reliant on market prices for its hydrocarbon production: oil, natural gas and natural gas liquids. Market prices for these commodities have proven to be historically volatile, and this has been particularly demonstrated over the past 5 years. Oil prices are subject to global supply and demand pressures, but also geopolitical, environmental and other forces. Gas prices are based more on domestic markets, but are increasingly affected by LNG export and import capabilities.

Currently, TAQA does not have any hedges in place for its production volumes, although we may choose to enter into such arrangements in the future in the normal course of business.

In the power business, our toll arrangement with the Red Oak power plant in New Jersey, USA is affected by the volatility of gas prices (plant input) and electricity prices (plant output). The management of the toll arrangement has developed and enacted a risk management strategy regarding commodity price risk and its mitigation, which uses forward commodity contracts.

6.4 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 requirement for impairment is analyzed at each reporting date on an individual basis for major costumers. 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.

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.

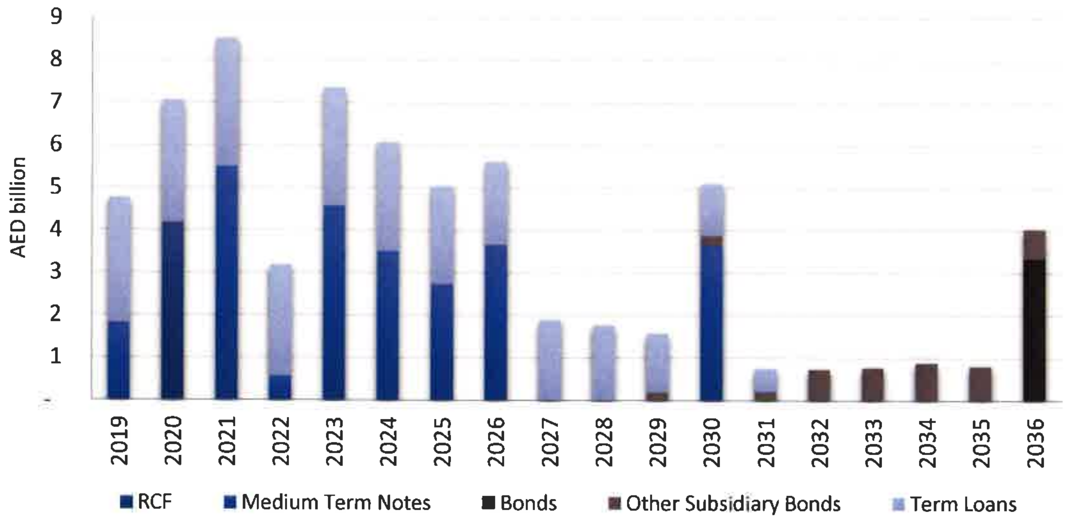
6.5 Liquidity Risk

The Group monitors its risk to a shortage of funds.

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 March 2019, 8% of the Group's total debt is classified as current (December 2018: 8%), based on the carrying value of borrowings reflected in the consolidated financial statements.

6.6 Maturity Profile

The Group's financial liabilities repayable schedule at 31 March 2019 based on contractual undiscounted payments:



During the first quarter of 2019 overall debt was reduced by AED 0.9 billion, mostly due to repayments of project related debt.

On 17 April 2019, the company finalized an AED 735 million, three-year term loan facility with an UAE bank. The facility is intended to refinance the AED 735 million (USD $200 million) equivalent Japanese Yen term loan maturing in April 2019, and carries interest of LIBOR plus a margin.

7. Capital Expenditure (capex)

Capex	Three Months Ended							
(AED million)	North America	Europe	Atrush	Total O&G	UAE	Other	Total P&W	Group Total[1]
2019	176	49	23	**248**	176	11	**187**	**435**
2018	155	113	7	275	136	17	153	**428**

1) Figures above include purchase of property, plant and equipment and purchase of intangibles

In line with the strategy announced last year, overall capital investment has slightly increased in the first three months of 2019 when compared to same period of 2018.

Capital expenditures were driven by project-related investments across the oil and gas assets predominantly in North America and Iraq, while power and water capital expenses focused on annual programmes and maintenance spending mostly in the UAE assets.

8. Accounting Standards issued but not yet effective

There are no new standards issued but not yet effective that are expected to have a material impact on the preparation of consolidated financial statements.

Saeed Hamad Al Dhaheri
Chief Executive Officer

Mohammed Abdulla Al Ahbabi
Chief Financial Officer

Approved: 8th May 2019