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

As at and for the period ended 31 March 2020

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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 2020. 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		**2020**	2019	**2020**	2019	**2020**	2019
Fatalities	*Number*	0	0	0	0	0	0
Recorded injury rate	*(incident/200k hrs)*	0.00	0.00	0.17	0.92	0.12	0.65
Lost time injury	*Number*	0	0	1	7	1	7
Reportable spills	*Number*	0	1	8	7	8	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. Our commitment to 'zero accidents' aims to ensure a safer environment for our staff, our clients and their end-users. All members of our workforce have the responsibility and the authority to stop unsafe work. Our "golden rules of safety" guide our workers to stay safe, especially while performing tasks with potential safety hazards.

In Q1 2020, the year to date (YTD) global recordable injury rate (RIR) was 0.12, which is significantly lower than the Q1 2019 YTD RIR of 0.65. The Group's total spills remained unchanged at 8 in both Q1 2020 and Q1 2019.

2. Summary of Results

	Three months Ended				
Quarterly Results	**31-Mar**	31-Dec	30-Sep	30-Jun	31-Mar
(AED million, except where indicated)	**2020**	2019	2019	2019	2019
Technical Power Availability (%)[1]	**86.9%**	89.0%	97.1%	97.2%	88.9%
Oil & Gas Production (mboe/d)[2]	**121.6**	127.7	120.5	122.9	126.7
Gross Revenues	**3,961**	4,499	4,097	4,662	4,330
EBITDA[3]	**1,933**	2,147	2,206	2,407	2,371
Profit for the Period	**(1,550)**	279	260	484	181
Net Income (Loss)[4]	**(1,729)**	36	(16)	208	6
Profit (Loss) per Share (AED per Share)	**(0.285)**	0.008	(0.003)	0.034	0.001
Total Asset	**95,011**	97,559	96,886	98,608	98,771
Shareholder's Equity	**7,567**	10,428	9,951	10,379	10,413
Capital Expenditure[5]	**581**	544	289	474	458
Free Cash Flow[6]	**916**	1,772	1,988	1,562	1,476

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 Amortisation defined as IFRS earnings before income tax, finance charges and depreciation, depletion and amortization.
4) Net (loss) income 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

During the first quarter of 2020, technical availability across the fleet averaged 86.9%, a decrease versus 88.9% in Q1 2019. This reduction was mainly driven by the UAE fleet where technical availability decreased 3.1% from 89.6% in Q1 2019 to 86.5% in the current quarter. The reduction is mostly due to higher outage quotas this period at the Taweelah A1 and Fujairah 2 plants. The International fleet's technical availability increased from 85.9% in Q1 2019 to 88.8% in Q1 2020 mainly due improvement in both the India and Ghana plants which faced a prolonged period of maintenance in the prior period.

Global power generation for Q1 2020 was 18,103 GWh, an increase from 17,597 GWh in Q1 2019. This was driven by the UAE fleet, which generated 12,050 GWh in the quarter compared to 11,327 GWh in Q1 2019. This was partially offset by the International power generation which decreased 3% to 6,053 GWh from 6,270 GWh. This was mainly driven by a 40% reduction at the North American plant mostly due to an oversupplied wholesale market.

UAE water desalination for the period was 55,666 million imperial gallons (MIG) compared to 54,408 MIG in Q1 2019, with TAQA continuing to supply the majority of Abu Dhabi's water requirements.

Oil & Gas

The Group's average production in Q1 2020 was 121,622 boepd, representing a 4% decrease compared to 126,651 boepd in Q1 2019. The decrease is mainly due to Europe which produced an average of 35,306 boepd in Q1 2020, a 20% decline from Q1 2019. Europe was impacted mainly by delays in the North Cormorant drilling campaign and existing well potential being below expectations in addition to a slight delay in first oil from a new well on West Brae.

North American production also decreased slightly from 77,145 boepd in Q1 219 to 75,680 boepd in Q1 2020 (2% reduction). The Atrush block in Kurdistan offset the decline as entitlement production increased from 5,629 boepd in Q1 2019 to 10,625 boepd Q1 2020. This increase was largely due to new wells coming on stream, the impact of the debottlenecking work, and the early production facilities which started in Q4 2019. All these factors increased the capacity of volumes that can be processed by the production facility. Additionally, production increase versus

the same period of 2019 was supported by the acquisition in May 2019 of an additional 7.5% working interest in the Atrush block from Marathon Oil Kurdistan B.V

2.2 Financial Highlights

For the three month period to 31 March 2020, the loss attributable to equity holders of TAQA for Q1 2020 was AED 1,729 million compared to a profit of AED 6 million in Q1 2019. This was driven by an exceptional impairment charge recognized against the Group's oil and gas assets driven by the OPEC+ fallout in addition to the oil demand constraints caused by the COVID-19 global pandemic. Due to the challenging commodity price environment, the Group reduced the 2020 and 2021 oil price assumptions which in turn required a write down of the Group's carrying amounts of certain Oil specific assets. A substantial AED 1.1 billion post tax impairment charge was recognized in Europe, with smaller impairment charges of AED 294 million and AED 156 million being recognized in Atrush and North America respectively.

As of March 2020, total Group revenues were AED 4.0 billion, a 9% decrease versus Q1 2019. This was mainly driven by the Group's Oil & Gas business where revenues decreased by AED 254 million (16% reduction) versus the previous period. This was mainly due to lower average oil prices and lower volumes in Europe and North America. Power & Water revenues also decreased by AED 117 million (4% reduction) versus the previous period mainly at the International assets due to North America energy market price reductions. Revenues were also down at the UAE assets due to increased planned and unplanned maintenance in the current quarter.

The Group generated EBITDA of AED 1.9 billion for the quarter, a decrease versus 2019 in both the Oil & Gas and Power & Water businesses by 43% and 5% respectively. In addition to reduced revenues, operating expenses in the Oil & Gas business increased. This was primarily due to Europe and the income statement impact of an underlift situation in Q1 2019 versus overlift in the current quarter.

The lower EBITDA and impairment losses were partially offset by:

- AED 87 million reduction in finance costs due to the continue reduction in the Groups debt balance;
- AED 89 million favorable movement in net foreign exchange gains/losses mostly due to losses in the prior period due to EUR fluctuations; and
- AED 531 million lower tax expense is mainly due to a deferred tax credit recorded in Europe as a result of the impairment charge taken in the quarter.

The Group's total liquidity as at 31 March 2020 remained strong at AED 11.9 billion including AED 2.6 billion in cash and cash equivalents, and AED 9.3 billion of undrawn credit facilities. In early April 2020, the group drew-down AED 2.8 billion from these credit facilities in order to further secure the Group's liquidity in light of the challenges and uncertainties being faced by the global COVID-19 pandemic. This amount has been placed in short-term deposits with a number of banks.

During Q1 2020, TAQA Morocco (units 1 to 4) extended their Power Purchase Agreement (PPA) by 17 years from 2027 to 2044. This saw an increase to the operating financial asset in addition to an increase in debt of AED 545 million by the way of a short term loan facility to fund the extension. Despite this addition, the Group continued to make good progress on reducing overall debt levels, with total debt as of 31 March 2020 amounting to AED 63.2 billion, a reduction of AED 148 million versus December 2019. This reduction has also helped the Group to reduce cash interest paid in 2020 by AED 78 million, when compared to the same period in 2019.

In February 2020, TAQA announced to Abu Dhabi Securities Exchange (ADX) the receipt of offer from ADPower, a subsidiary of Abu Dhabi Development Investing Company (ADQ). The key terms of the offer were that ADPower would transfer certain assets to TAQA in exchange for 106,367,950,000 shares in TAQA and the termination of the land lease agreement between ADPower and TAQA. Under this offer ADPower will be owning 98.6% of TAQA's issued shared capital. The offer was approved by the Shareholders of Group at the Annual General Assembly held on 29 April 2020. The transaction is subject to fulfillment of certain conditions precedent, including obtaining regulatory approvals. It is envisaged that the transaction will close in the third quarter of 2020.

3. Business Environment

3.1 Average Benchmarks

		Three months ended				
Average Benchmark Summary		**31-Mar 2020**	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**
Brent Crude Oil Price	*($US/bbl)*	50.53	62.65	61.86	68.34	63.27
West Texas Intermediate (WTI) Oil Price	*($US/bbl)*	45.98	56.95	56.44	59.80	54.87
AECO Natural Gas Price[1]	*($US/mmbtu)*	1.51	1.88	0.76	0.82	1.96
NBP - National Balancing Point	*($US/mmbtu)*	3.09	4.18	3.39	4.10	6.28
Closing foreign exchange rates						
USD/GBP Exchange Rate[2]	*($US)*	1.24	1.33	1.23	1.27	1.30
USD/CAD Exchange Rate[2]	*($US)*	0.71	0.77	0.76	0.76	0.75
USD/EUR Exchange Rate[2]	*($US)*	1.10	1.12	1.09	1.14	1.12
USD/MAD Exchange Rate[2]	*($US)*	0.099	0.105	0.103	0.104	0.103

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.

Brent prices averaged $50.53/bbl for the quarter. The market has since weakened dramatically and is currently significantly lower on the expectation of slower economic growth due to the global Covid-19 pandemic.

3.3 Natural Gas

Approximately 88% 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 was very volatile and averaged at $1.51/mmbtu for the quarter. 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 remained weak during the most recent quarter, averaging $3.09/mmbtu, a significant decline from an average of $4.18/mmbtu in Q4 2019. Gas production in Europe accounts for 12% of total Group gas production.

3.4 Interest Rates

The U.S. Federal Reserve has dropped its Fed Funds Reserve Rate at a target range of 0.00%- 0.25% in response to the weakened economic outlook.

3.5 Foreign Exchange

The Canadian dollar, pound, and Euro all weakened significantly against the U.S. Dollar reflecting a flight to safety during the turbulent and uncertain economic times. The pound and Canadian dollar were also impacted negatively by the dramatically lower oil prices as these two currencies are somewhat underpinned by the value of each country's hydrocarbon reserves.

4. Results of Operations

4.1 Group Consolidated Results

	Three months ended 31 March							
	Power & Water		*Oil & Gas*		*Corp. & Elimination*		*Group Total*	
Group Net Income (Loss) Summary (AED millions)	**31-Mar 2020**	31-Mar 2019	**31-Mar 2020**	31-Mar 2019	**31-Mar 2020**	31-Mar 2019	**31-Mar 2020**	31-Mar 2019
Total Revenues	**2,604**	**2,721**	**1,355**	**1,609**	**2**	-	3,961	4,330
Operating Expenses	**(1,062)**	**(1,109)**	**(827)**	**(728)**	**(2)**	-	(1,891)	(1,837)
Shared Results of Associates and JV	**3**	**2**	-	-	**17**	**33**	20	35
Shared Results of Joint Venture	-	-	-	-	-	-	-	-
General and Administrative Expenses	**(69)**	**(64)**	**(56)**	**(56)**	**(32)**	**(37)**	(157)	(157)
Provision for Impairment	-	-	**(2,004)**	-	-	-	(2,004)	-
Depletion, Depreciation and Amortization	**(481)**	**(475)**	**(549)**	**(506)**	**(2)**	**(2)**	(1,032)	(983)
Finance Costs	**(441)**	**(477)**	**(99)**	**(158)**	**(409)**	**(401)**	(949)	(1,036)
Foreign Exchange Gain (Loss)	**(27)**	**(14)**	**49**	**(1)**	**2**	**(50)**	24	(65)
Changes in Fair Value of Derivatives	**33**	**(19)**	-	-	**(4)**	-	29	(19)
Gain from derecognition of subsidiary	-	-	-	-	-	-	-	-
Gain for Sale of Land and O&G Asset	-	-	**24**	**9**	-	-	24	9
Interest Income	-	-	-	-	**10**	**18**	10	18
Other Gains (Losses)	**3**	**5**	-	-	**2**	**2**	**5**	**7**
Profit (Loss) Before Taxes and NCI	**563**	**570**	**(2,107)**	**169**	**(416)**	**(437)**	**(1,960)**	**302**

Profit before taxes and NCI

The Group's loss before taxes and NCI for 2020 was AED 1,960 million compared to a profit of AED 302 million for the same period in 2019. This reduction in profit is discussed in *Section 2.2 Financial Highlights* and broken down by industry later in this section.

Corporate & Eliminations

Losses before tax with respect to the Corporate & Eliminations segment for the three months period ended 31 March 2020 was AED 416 million as compared to AED 437 million in the prior period. The decrease in losses of AED 21 million was mainly driven by favorable foreign exchange movements of AED 52 million. In Q1 2019 the loss was driven by a EUR functional currency having to restate a USD liability as the EUR weakened. In 2019, management implemented a strategy to remove this FX exposure and subsequently no similar FX fluctuations occurred in Q1 2020.

FX gains were partially offset by the lower share of results from associates and joint ventures in 2020 amounting to AED 15 million, mainly due to a provision booked at Massar solutions.

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)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Total Revenues	1,629	1,664	975	1,057	2,604	2,721
Operating Expenses	(376)	(408)	(686)	(701)	(1,062)	(1,109)
Shared Results of Associates	-	-	3	2	3	2
General and Administrative Expenses	(29)	(40)	(40)	(24)	(69)	(64)
Depletion, Depreciation and Amortization	(464)	(458)	(17)	(17)	(481)	(475)
Finance Costs	(385)	(413)	(56)	(64)	(441)	(477)
Foreign Exchange Gain (Loss)	-	-	(27)	(14)	(27)	(14)
Changes in Fair Value of Derivatives	-	-	33	(19)	33	(19)
Other Gains	1	-	2	5	3	5
Profit (Loss) Before Taxes and NCI	376	345	187	225	563	570

Profit before taxes and NCI

Profit before tax and NCI for the Power & Water business for Q1 2020 was AED 563 million compared to AED 570 million in Q1 2019. This slight decrease in earnings was mainly due to lower revenues of AED 117 million which was offset by lower operating expenses by AED 47 million, lower finance costs by AED 36 million, and favorable changes in fair value of derivatives by AED 52 million.

Revenues

Total Power & Water revenues for the three months period ended 31 March 2020 were AED 2.6 billion, a decrease versus the same period in 2019 for both UAE Power & Water and International Power businesses. The UAE fleet decreased by 2% in 2020 due to higher outage quota's and additional unplanned maintenance while the International assets declined by 8% mainly due to the North American asset and market prices. This was partially offset by higher revenues in Ghana due to higher availability and in India as a result of an operating financial asset (OFA) model revision.

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

Opex decreased by 4% to AED 1.1 billion for the three months period ended 31 March 2020. The AED 47 million decrease was mainly due the UAE Power & Water business and lower Operations & Maintenance (O&M) fees as while as higher shared margin income received from the operator which was netted off O&M costs.

G&A expenses for Q1 2020 remain in line with the same period in 2019.

Depletion, Depreciation and Amortisation (DD&A)

DD&A remained substantially unchanged in the first quarter of 2020 in comparison with the same period of 2019.

Finance Costs

A reduction in finance costs of AED 36 million for 2020 was driven by lower debt balances as a result of continued principal repayments made on project debt throughout the year.

Changes in fair value of derivatives

During Q1 2020, there was an AED 52 million favourable movement on mark-to-market revaluations driven by Red Oak, our US-based power asset.

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	**31-Mar**	**31-Mar**	**31-Mar**	**31-Mar**	**31-Mar**	**31-Mar**	**31-Mar**	**31-Mar**
(AED millions)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Total Revenues	398	508	827	1,011	130	90	1,355	1,609
Operating Expenses	(255)	(236)	(549)	(466)	(23)	(26)	(827)	(728)
General and Administrative Expenses	(33)	(33)	(12)	(13)	(11)	(10)	(56)	(56)
Provision for Impairment	(53)	-	(1,657)	-	(294)	-	(2,004)	-
Depletion, Depreciation and Amortization	(234)	(227)	(248)	(244)	(67)	(35)	(549)	(506)
Finance Costs	(17)	(28)	(82)	(130)	-	-	(99)	(158)
Foreign Exchange Gain (Loss)	11	(1)	38	-	-	-	49	(1)
Gain for Sale of Land and O&G Asset	24	9	-	-	-	-	24	9
Other Gains	-	-	-	-	-	-	-	-
Profit (Loss) Before Taxes and NCI	(159)	(8)	(1,683)	158	(265)	19	(2,107)	169

Profit before taxes and NCI

Loss before tax and NCI for the Oil & Gas business for the three months period ended 31 March 2020 was AED 2,107 million compared to a profit of AED 169 million for the same period in 2019. The AED 2,276 million decrease in earnings was mainly driven by an AED 2,004 million impairment taken across the assets due to declining commodities prices and current economic crisis, as explained in the Financial Highlights in this document. The loss this quarter was further impacted by lower revenues, higher opex and DD&A.

Revenues

The Oil & Gas business generated revenues of AED 1.4 billion for the three months period ended 31 March 2020, a 16% decrease versus the prior period. The AED 254 million decrease is due to lower revenues in Europe by AED 184 million, and AED 110 million in North America, partially offset by higher revenues in Iraq by AED 40 million due to higher entitlement volumes. Lower volumes in Europe and North America as well as a lower weighted average YTD realized prices for the group ($28.2/boe Q1 2020 vs $35.6/boe Q1 2019) negatively affected revenues.

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

Opex YTD March 2020 were AED 99 million higher than the first quarter of 2019. The increase was mainly driven by the European assets and due to the underlift position of AED 80 million in Q1 2019 moving to AED 36 million overlift position in Q1 2020.

G&A expenses have remained in line with the prior period.

Depletion, Depreciation and Amortization (DD&A)

An increase in DD&A of AED 43 million within the Oil & Gas business has been mainly driven by higher entitlement volumes in Iraq.

Finance Costs

In the first three months of 2020 finance costs were AED 59 million lower than Q1 2019. The reduction was mainly driven by lower accretion charges in Europe and due to a reduction in the asset retirement obligations (ARO) discount rate after Q1 2019.

5. Taxes for the Period

The Group's tax for the first quarter ended 31 March 2020 was a credit of AED 410 million compared to expense of AED 121 million for the same period in 2019. This decrease of AED 531 million was mainly due to an AED 569 million deferred tax credit taken in Europe as a result of the impairment charge. This was partially offset in Canada where the AED 103 million of deferred tax asset was written off due to the lower future taxable income assessment caused by lower price forecasts.

6. Capital Structure and Liquidity

	Capital Structure				
(AED million)	**31-Mar 2020**	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**
Total Assets	95,011	97,559	96,886	98,608	98,771
Total Equity	7,567	10,429	9,951	10,379	10,413
Total Debt	63,189	63,337	63,275	64,496	65,364
Net Debt	60,564	60,458	61,034	61,921	62,306
Net Debt/Net Capital[1]	85%	82%	83%	83%	83%
Unused Portion of Credit Facilities	9,275	11,452	8,915	10,203	9,979
Cash and Cash Equivalents	2,625	2,879	2,241	2,575	3,058
Total Available Liquidity	11,900	14,331	11,156	12,778	13,037

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 85% 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 utilise 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.

Currently, the Group is monitoring it's GBP:USD exposure on operating, capital and abandonment expenditures within the European business unit following the UK's decision to leave the European Union. Currently, TAQA does not have any hedges in place to address foreign currency risk, although we may choose to enter into such arrangements in the future in the normal course of business.

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 6 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 analysed 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.

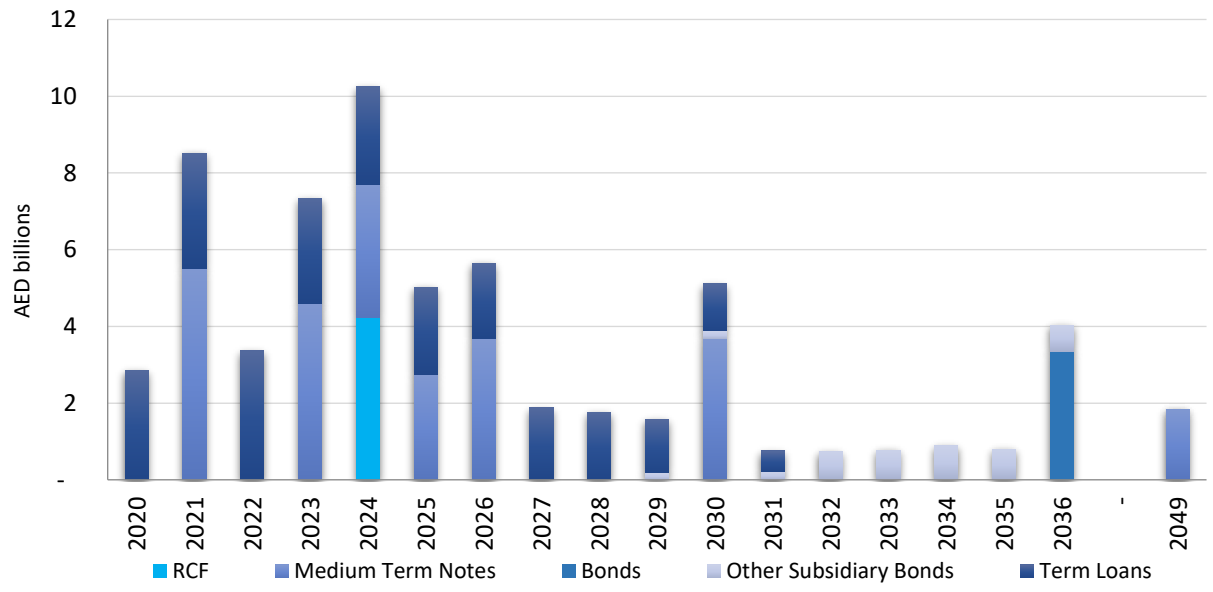
6.5 Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. To help mitigate this risk, the Group has access to revolving credit facilities with an unutilised balance of AED 9.3 billion as at 31 March 2020 (31 December 2019: AED 11.5 billion). This reduction of AED 2.2 billion is a result of the cancellation of an AED 2.4 billion revolving credit facility available to TAQA North which was not being utilized.

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 2020, 5% of the Group's total debt is classified as current (31 December 2019: 5%), based on the carrying value of borrowings reflected in the consolidated financial statements.

6.6 Maturity Profile

The Group's financial liabilities repayment schedule as 31 March 2020 based on contractual undiscounted payments is as follows:



During 2020, the Group's total debt was reduced by AED 148 million, due to repayment of project related debt in the Power and Water business. The repayments were partially offset by a Moroccan asset increasing their current debt by AED 545 million which relates to their PPA extension. This is expected to be converted mostly to long term debt once an agreement with lenders is reached.

7. Capital Expenditure (capex)

Capex	Three months ended 31 March							
(AED million)	North America	Europe	Atrush	**Total O&G**	UAE	Other	**Total P&W**	**Group Total[1]**
2020	157	176	21	354	215	12	227	**581**
2019	213	56	2	271	176	11	187	**458**

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

The Group's overall capital investment was AED 581 million for the first quarter 2020, a 27% increase versus 2019.

Total Oil & Gas capex was 31% higher than prior year, mostly due to increased capex in our European assets, as well as Iraq, which partially offset by North American assets due to the deferral of some capital projects. There was an additional increase in Power & Water capex was mainly due to major maintenance programs within the UAE fleet.

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: 28 June 2020