

**Qatar Electricity & Water Company Q.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE SIX-MONTH PERIOD ENDED  
30 JUNE 2017**

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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR ELECTRICITY & WATER COMPANY Q.S.C.**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Electricity & Water Company Q.S.C. (the "Company") and its subsidiaries (the "Group") as at 30 June 2017, comprising of the interim condensed consolidated statement of financial position as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month period ended 30 June 2017, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six-month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

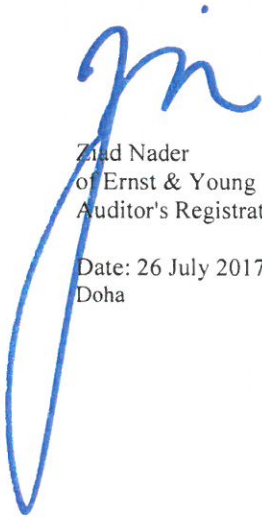
We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **Other matter**

The interim condensed consolidated financial statements of the Group as at 30 June 2016 were reviewed and the consolidated financial statements as at 31 December 2016 were audited by another auditor, whose reports dated 13 July 2016 and 1 February 2017, respectively, expressed unmodified review and audit opinions on those consolidated financial statements.



Ziad Nader  
of Ernst & Young  
Auditor's Registration No. 258

Date: 26 July 2017  
Doha

**Qatar Electricity & Water Company Q.S.C.**

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2017

	<i>Notes</i>	<b>30 June 2017 QAR'000 (Reviewed)</b>	<b>31 December 2016 QAR'000 (Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	5,923,973	6,130,389
Investment property	7	174,901	174,901
Intangible assets and goodwill		105,440	108,425
Investments in joint ventures	8	2,899,907	2,824,638
Available-for-sale financial assets		518,503	511,144
Finance lease receivables	9	1,310,481	1,366,332
Positive fair value of interest rate swaps for hedging	12	27,435	-
Other assets		18,867	19,858
		<u>10,979,507</u>	<u>11,135,687</u>
<b>Current assets</b>			
Inventories		284,686	280,994
Trade and other receivables		705,689	674,013
Finance lease receivables	9	121,308	124,273
Bank balances and cash	18	2,980,108	3,011,031
		<u>4,091,791</u>	<u>4,090,311</u>
<b>Total assets</b>		<u><b>15,071,298</b></u>	<u><b>15,225,998</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	1,100,000	1,100,000
Legal reserve		550,000	550,000
General reserve		3,241,834	3,241,834
Cash flow hedge reserve	12	(1,623,103)	(1,557,002)
Fair value reserve		116,601	219,328
Retained earnings		4,706,528	4,720,969
<b>Equity attributable to equity holders of the parent</b>		<u><b>8,091,860</b></u>	<u><b>8,275,129</b></u>
<b>Non-controlling interests</b>		<u><b>253,578</b></u>	<u><b>253,871</b></u>
<b>Total equity</b>		<u><b>8,345,438</b></u>	<u><b>8,529,000</b></u>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

**Qatar Electricity & Water Company Q.S.C.**

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

As at 30 June 2017

	<i>Notes</i>	<b>30 June 2017 QAR'000 (Reviewed)</b>	<b>31 December 2016 QAR'000 (Audited)</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	11	4,594,297	4,674,587
Negative fair value of interest rate swaps for hedging	12	62,779	8,282
Employees' end of service benefits		<u>54,711</u>	<u>52,803</u>
		<u>4,711,787</u>	<u>4,735,672</u>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	11	1,419,602	1,237,363
Negative fair value of interest rate swaps for hedging	12	-	20,277
Trade and other payables		<u>594,471</u>	<u>703,686</u>
		<u>2,014,073</u>	<u>1,961,326</u>
<b>Total liabilities</b>		<u>6,725,860</u>	<u>6,696,998</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>15,071,298</u>	<u>15,225,998</u>

These interim condensed consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 26 July 2017.

Dr. Mohamed Bin Saleh Al-Sada  
Chairman

Mr. Khalid Bin Said Ali Al-Rumaihi  
Vice Chairman

Qatar Electricity & Water Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three-month and six-month period ended 30 June 2017

	Notes	For the three month period ended 30 June		For the six month period ended 30 June	
		2017	2016	2017	2016
		QAR'000 (Reviewed)	QAR'000 (Reviewed)	QAR'000 (Reviewed)	QAR'000 (Reviewed)
Revenue	13	817,953	798,659	1,538,150	1,516,629
Cost of sales		<u>(433,362)</u>	<u>(421,105)</u>	<u>(877,607)</u>	<u>(815,728)</u>
<b>Gross profit</b>		<b>384,591</b>	377,554	<b>660,543</b>	700,901
Other income		22,586	54,250	64,343	95,169
General and administrative expenses		<u>(48,013)</u>	<u>(43,768)</u>	<u>(99,736)</u>	<u>(93,029)</u>
<b>Operating profit</b>		<b>359,164</b>	388,036	<b>625,150</b>	703,041
Finance costs		<u>(49,644)</u>	<u>(40,154)</u>	<u>(87,985)</u>	<u>(80,324)</u>
Share of profit of joint ventures		<u>158,159</u>	104,590	<u>286,583</u>	185,821
<b>Profit for the period</b>		<b><u>467,679</u></b>	<u>452,472</u>	<b><u>823,748</u></b>	<u>808,538</u>
<b>Other comprehensive income:</b> <i>Items that may be reclassified to the statement of income in subsequent periods</i>					
Share of other comprehensive income from joint ventures	12	<u>(141,106)</u>	(49,460)	<u>(59,317)</u>	(42,569)
Effective portion of changes in fair value of interest rate swaps for hedging	12	<u>(99,476)</u>	(1,695)	<u>(6,784)</u>	(16,451)
Net change in fair value of available-for-sale financial assets		<u>(75,886)</u>	<u>(24,139)</u>	<u>(102,727)</u>	<u>(27,600)</u>
<b>Other comprehensive loss for the period</b>		<b><u>(316,468)</u></b>	<u>(75,294)</u>	<b><u>(168,828)</u></b>	<u>(86,620)</u>
<b>Total comprehensive income</b>		<b><u>151,211</u></b>	377,178	<b><u>654,920</u></b>	721,918
<b>Profit attributable to:</b>					
Equity holders of the parent		460,321	443,827	810,559	791,270
Non-controlling interests		<u>7,358</u>	8,645	<u>13,189</u>	17,268
		<b><u>467,679</u></b>	452,472	<b><u>823,748</u></b>	808,538
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		143,853	368,533	641,731	704,650
Non-controlling interests		<u>7,358</u>	8,645	<u>13,189</u>	17,268
		<b><u>151,211</u></b>	377,178	<b><u>654,920</u></b>	721,918
<b>Earnings per share:</b>					
Basic and diluted earnings per share (Qatari Riyals)	14	<u>4.18</u>	4.03	<u>7.37</u>	7.19

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

## Qatar Electricity & Water Company Q.S.C.

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2017

	<i>Attributable to the equity holders of the parent</i>							<i>Non- controlling interests QAR'000</i>	<i>Total equity QAR'000</i>
	<i>Share capital QAR'000</i>	<i>Legal reserve QAR'000</i>	<i>General reserve QAR'000</i>	<i>Cash flow hedge reserve QAR'000</i>	<i>Fair value reserve QAR'000</i>	<i>Retained earnings QAR'000</i>	<i>Total QAR'000</i>		
Balance at 1 January 2017 (Audited)	1,100,000	550,000	3,241,834	(1,557,002)	219,328	4,720,969	8,275,129	253,871	8,529,000
Profit for the period	-	-	-	-	-	810,559	810,559	13,189	823,748
Other comprehensive loss	-	-	-	(66,101)	(102,727)	-	(168,828)	-	(168,828)
Total comprehensive income for the period	-	-	-	(66,101)	(102,727)	810,559	641,731	13,189	654,920
Dividends relating to year 2016 (Note 10)	-	-	-	-	-	(825,000)	(825,000)	(13,482)	(838,482)
<b>Balance at 30 June 2017 (Reviewed)</b>	<b>1,100,000</b>	<b>550,000</b>	<b>3,241,834</b>	<b>(1,623,103)</b>	<b>116,601</b>	<b>4,706,528</b>	<b>8,091,860</b>	<b>253,578</b>	<b>8,345,438</b>
Balance at 1 January 2016 (Audited)	1,100,000	550,000	3,241,834	(1,759,479)	175,244	4,038,710	7,346,309	256,048	7,602,357
Profit for the period	-	-	-	-	-	791,270	791,270	17,268	808,538
Other comprehensive loss	-	-	-	(59,020)	(27,600)	-	(86,620)	-	(86,620)
Total comprehensive income for the period	-	-	-	(59,020)	(27,600)	791,270	704,650	17,268	721,918
Dividends relating to year 2015 (Note 10)	-	-	-	-	-	(825,000)	(825,000)	(16,038)	(841,038)
Contribution to social and sports support fund for 2015	-	-	-	-	-	(137)	(137)	-	(137)
Balance at 30 June 2016 (Reviewed)	1,100,000	550,000	3,241,834	(1,818,499)	147,644	4,004,843	7,225,822	257,278	7,483,100

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

**Qatar Electricity & Water Company Q.S.C.**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six month period ended 30 June 2017

	Notes	<i>For the six month period ended 30 June</i>	
		2017	2016
		<i>QAR'000</i> <i>(Reviewed)</i>	<i>QAR'000</i> <i>(Reviewed)</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		823,748	808,538
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		235,514	206,444
Profit on sale of property, plant and equipment		(186)	(14,268)
Share of profits of joint ventures		(286,583)	(185,821)
Provision for employees' end of service benefits		4,058	3,524
Deferred income		-	(3,396)
Dividend income from available-for-sale financial assets		(16,051)	(11,940)
Amortization of intangible asset		2,985	2,985
Provision for slow moving inventories		12,400	9,526
Amortization of non-current assets		991	990
Interest income		(43,427)	(15,164)
Interest expense		83,998	78,308
Operating profit before working capital changes		817,447	879,726
<i>Working capital adjustments:</i>			
- Trade and other receivables		(31,676)	122,617
- Inventories		(16,093)	(118,472)
- Finance lease receivables		58,816	70,318
- Trade and other payables		(109,215)	(193,273)
Cash flows from operating activities		719,279	760,916
Employees' end of service benefits paid		(2,150)	-
<b>Net cash flows from operating activities</b>		<b>717,129</b>	<b>760,916</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6	(29,098)	(384,735)
Dividends received from joint ventures		151,999	165,618
Investments in available for sale assets		(110,086)	(50,284)
Proceed from disposal of assets available for sales		186	14,268
Dividends from available-for-sale financial assets		16,051	11,940
Interest received		43,427	15,164
Net movement in term deposits maturing over 90 days		(955,139)	-
<b>Net cash flows used in investing activities</b>		<b>(882,660)</b>	<b>(228,029)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	10	(825,000)	(825,000)
Dividend paid to non-controlling interest		(13,482)	(16,038)
Net movements in interest bearing loans and borrowings		101,949	65,241
Interest paid		(83,998)	(78,308)
<b>Net cash flows used in financing activities</b>		<b>(820,531)</b>	<b>(854,105)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(986,062)</b>	<b>(321,218)</b>
Cash and cash equivalents at beginning of period		1,936,451	1,750,797
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	18	<b>950,389</b>	<b>1,429,579</b>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

## Qatar Electricity & Water Company Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

#### 1 REPORTING ENTITY

Qatar Electricity & Water Company Q.S.C. (the "Company") is incorporated in accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015 as a Qatari Shareholding Company, and was registered at the Ministry of Economy and Commerce of the State of Qatar with Commercial Registration number 14275 dated 16 March 1992. The Company is domiciled in the State of Qatar, where it also has its principal place of business. The Company's registered office is at Al-Markhiya Street, Madinah Khalifah North Area, Doha, State of Qatar. The Company's shares are listed on the Qatar Stock Exchange since 3 May 1998.

The Company's interim condensed consolidated financial statements comprises the Company and its subsidiaries (together referred to as the "Group").

The principal activities of the Group, which have not changed from the previous period, are the production of electricity and desalinated water for supplying them to the state owned "Qatar General Electricity and Water Corporation ("KAHRAMAA").

Details of the Company's subsidiaries at 30 June 2017 are as follows:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2017</i>	<i>2016</i>
Ras Laffan Operating Company W.L.L.	Generation of electricity & production of desalinated water	Qatar	100%	100%
Ras Laffan Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	80%	80%

The Company had the following joint ventures and shareholdings as at the current and the comparative reporting dates:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2017</i>	<i>2016</i>
Qatar Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	55%	55%
Mesaieed Power Company Q.S.C.	Generation of electricity	Qatar	40%	40%
Ras Girtas Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	45%	45%
Nebras Power Q.S.C.	Investments in electricity and desalinated water projects outside the State of Qatar	Qatar	60%	60%
Umm Al Houll Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	60%	60%

#### 2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" ("IAS 34").

The interim condensed consolidated financial statements have been presented in Qatar Riyals ("QR"), which is the functional and presentation currency of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2016. In addition, the results for the six months ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 26 July 2017.

## Qatar Electricity & Water Company Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

#### 2 BASIS OF PREPARATION (CONTINUED)

The Qatar Commercial Companies Law No. 11 of 2015 requires a “Qatari Shareholding Company” to change its legal status into a “Qatari Public Shareholding Company”. Management is in the process of changing the legal status of the Company, however the conversion has not yet been effected as at the date of these interim condensed consolidated financial statements.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The following amended accounting standards became effective in 2017 and have been adopted by the Company in preparation of these interim condensed consolidated financial statements as applicable. Whilst they did not have any material impact on these interim condensed consolidated financial statements, they may require additional disclosures in the annual financial statements for the year ending 31 December 2017:

##### **New and amended standards and interpretations adopted by the Group**

During the current period, the Group adopted the below amendments and improvements to the International Financial Reporting Standards that are effective for annual periods beginning on 1 January 2017:

- *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*
- *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*
- *Annual Improvements Cycle - 2014-2016*  
*Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The adoption of the above amendments and improvements had no significant impact on the interim condensed consolidated financial statements.

##### **Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s interim condensed financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

<i>Topic</i>	<i>Effective date</i>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

#### 4 USE OF JUDGMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

## Qatar Electricity & Water Company Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

#### 4 USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

##### Measurement of fair values

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted market price (unadjusted) in active markets for an identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in Note 17 - Fair values of financial instruments.

#### 5 SEGMENTAL INFORMATION

The Group operates integrated plants for the generation of electricity and desalination of water in the State of Qatar. The water desalination process is completely dependent upon electricity generation. The electricity generation and water desalination processes are interrelated and are subject to similar risks and returns. Consequently, the Group presents both generation of electricity and production of desalinated water as a single operating segment.

#### 6 PROPERTY, PLANT AND EQUIPMENT

##### Acquisitions

During the six months ended 30 June 2017, the Group acquired assets with a cost of QR 29,098 thousands (six months ended 30 June 2016: QR 384,735 thousands).

##### Disposals

During the six months ended 30 June 2017, the Group disposed assets with a cost of QR 476 thousands for a total amount of QR 187 thousands of which the net carrying value at the disposal date was Nil. (six months ended 30 June 2016: the Group disposed assets with a cost of QR 27,983 thousands for a total amount of QR 14,268 thousands of which the net carrying value at the disposal date was Nil).

#### 7 INVESTMENT PROPERTY

	<i>30 June 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
Balance at end of the period/year	<u>174,901</u>	<u>174,901</u>

Investment property comprises a land in Lusail purchased from Qatari Diar Real Estate Company Q.S.C. Based on an internal valuation exercise, the fair value of the investment property as at 31 December 2016 was QR 457 million and the Management is of the view that the fair value as at 30 June 2017 is not materially different from the fair value determined as at 31 December 2016.

## Qatar Electricity & Water Company Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

#### 8 INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	Group effective ownership %	30 June 2017 QAR'000 (Reviewed)	31 December 2016 QAR'000 (Audited)
Nebras Power Q.S.C.	Qatar	60%	2,420,674	2,319,847
Qatar Power Q.S.C.	Qatar	55%	374,582	387,649
Umm Al Houl Power Q.S.C. (Note i)	Qatar	60%	104,651	117,142
Mesaieed Power Company Q.S.C. (Note ii)	Qatar	40%	-	-
Ras Girtas Power Company Q.S.C. (Note ii)	Qatar	45%	-	-
			<u>2,899,907</u>	<u>2,824,638</u>

Notes:

- (i) Umm Al Houl Power Q.S.C. has partially commissioned its operations during the months of April and June 2017 and expected to be fully commissioned during the year 2018.
- (ii) The carrying values of these investments have been reduced to zero as a result of the share of the Group's losses in these joint ventures recognised in previous years.

#### 9 FINANCE LEASE RECEIVABLES

Finance lease receivables represent the lease receivables from Ras Laffan Power Company Q.S.C. The subsidiary adopted IFRIC 4: *Determining whether an arrangement contains a lease* which became effective from 1 January 2006 in accounting for their self-constructed production facilities. The discount rate used by the subsidiary was 9.32 % per annum (2016: 9.32% per annum). The finance lease receivables at the end of the reporting period are neither past due nor impaired.

	30 June 2017 QAR'000 (Reviewed)	31 December 2016 QAR'000 (Audited)
Gross finance lease receivables	2,238,521	2,365,223
Unearned finance income	<u>(806,732)</u>	<u>(874,618)</u>
Present value of minimum lease payments receivable	<u>1,431,789</u>	<u>1,490,605</u>

The finance lease receivables are presented in the interim consolidated statement of financial position as follows:

	30 June 2017 QAR'000 (Reviewed)	31 December 2016 QAR'000 (Audited)
Current portion	121,308	124,273
Non-current portion	<u>1,310,481</u>	<u>1,366,332</u>
	<u>1,431,789</u>	<u>1,490,605</u>

**Qatar Electricity & Water Company Q.S.C.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended 30 June 2017

**10 SHARE CAPITAL**

	<i>30 June 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
<i>Authorized, issued and fully paid:</i>		
110,000,000 ordinary shares with nominal value of QR 10 each	<u>1,100,000</u>	<u>1,100,000</u>

**(i) Cash dividend paid**

During the period, the Company declared and paid a cash dividend of QR 7.5 per share totalling to QR 825,000 thousands (2016 - QR 7.5 per share totalling to QR 825,000 thousands).

**11 INTEREST BEARING LOANS AND BORROWINGS**

	<i>30 June 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
Loan (1)	1,220,988	1,247,792
Loan (2)	611,416	636,087
Loan (3)	305,046	317,355
Loan (4)	228,450	292,019
Loan (5)	539,364	548,552
Loan (6)	897,680	912,972
Loan (7)	911,250	911,250
Loan (8)	831,060	792,788
Loan (9)	345,773	315,327
Loan (10)	<u>182,250</u>	<u>-</u>
<b>Total Interest bearing loans and borrowings</b>	<b>6,073,277</b>	<b>5,974,142</b>
Less: Financing arrangement costs	<u>(59,378)</u>	<u>(62,192)</u>
	<u><b>6,013,899</b></u>	<u><b>5,911,950</b></u>

Interest bearing loans and borrowings are presented in the interim consolidated statement of financial position as follows:

	<i>30 June 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
Current portion	1,419,602	1,237,363
Non-current portion	<u>4,594,297</u>	<u>4,674,587</u>
	<u><b>6,013,899</b></u>	<u><b>5,911,950</b></u>

**Qatar Electricity & Water Company Q.S.C.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended 30 June 2017

**12 INTEREST RATE SWAPS FOR HEDGING**

**(a) Cash flow hedge reserve**

Movement in cash flow hedge reserve for the period is as follows:

	For the three month period ended 30 June		For the six month period ended 30 June		31 December 2016 QAR'000 (Audited)
	2017 QAR'000 (Reviewed)	2016 QAR'000 (Reviewed)	2017 QAR'000 (Reviewed)	2016 QAR'000 (Reviewed)	
Balance at 1 April/ 1 January	(1,382,521)	(1,767,344)	(1,557,002)	(1,759,479)	(1,759,479)
Share of other comprehensive income from joint ventures	(141,106)	(49,460)	(59,317)	(42,569)	103,697
Net changes in fair value of interest rate swaps of parent	(99,476)	(1,695)	(6,784)	(16,451)	98,780
Balance at 30 June/31 December	<u>(1,623,103)</u>	<u>(1,818,499)</u>	<u>(1,623,103)</u>	<u>(1,818,499)</u>	<u>(1,557,002)</u>

## Qatar Electricity & Water Company Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

#### 12 INTEREST RATE SWAPS FOR HEDGING (CONTINUED)

##### (b) Fair value of interest rate swaps

Fair value of interest rate swaps for hedging are presented in the interim condensed consolidated statement of financial position as follows:

	<i>30 June 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
<i>Assets</i>		
Non-current portion	<b>27,435</b>	-
<i>Liabilities</i>		
Current portion	-	20,277
Non-current portion	<b>62,779</b>	8,282
	<b>62,779</b>	28,559

#### 13 REVENUE

	<i>For the three month period ended 30 June</i>		<i>For the six month period ended 30 June</i>	
	<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>	<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>
Sales of electricity	378,657	400,680	711,160	729,011
Sales of desalinated water	402,459	358,700	759,987	718,005
Share of lease income from Ras Laffan Power Company Q.S.C.	<b>36,837</b>	39,279	<b>67,003</b>	69,613
	<b>817,953</b>	798,659	<b>1,538,150</b>	<b>1,516,629</b>

#### 14 EARNINGS PER SHARE

The calculation of basic earnings per share ('EPS') is arrived by dividing the profit attributable to the owners of the parent Company for the period by the weighted average number of ordinary shares outstanding during the period.

	<i>For the three month period ended 30 June</i>		<i>For the six month period ended 30 June</i>	
	<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>	<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>
Profit for the period attributable to equity holder of the parent	460,321	443,827	810,559	791,270
Weighted average number of shares outstanding during the period (number of shares in thousands)	<b>110,000</b>	110,000	<b>110,000</b>	110,000
Basic and diluted earnings per share (expressed in QR per share)	<b>4.18</b>	4.03	<b>7.37</b>	<b>7.19</b>

##### **Diluted earnings per share**

As the parent has no potential dilutive shares, the diluted EPS equals to the basic EPS.

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

15 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
<i>(a) Commitments:</i>		
Capital commitments	<u>-</u>	<u>118,883</u>
<i>(b) Contingent liabilities:</i>		
Bank guarantees, corporate guarantees and documentary credits	<u>309,527</u>	<u>190,317</u>
<i>(c) Other commitments:</i>		
<i>Derivative financial instruments:</i>		
Interest rate swaps (notional amount)	<u>1,869,247</u>	<u>1,842,202</u>

The Company entered into a shareholders agreement with Qatar Petroleum to establish Siraj Energy, a Qatari Private Shareholding Company. Siraj Energy will engage in owning and operating solar energy power plant. As at 30 June 2017, the Company committed to invest in 60% stake in the share capital of Siraj Energy.

16 RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the statement of comprehensive income are as follows:

	<i>Nature of the relationship</i>	<i>Nature of the transactions</i>	<i>For the three month period ended 30 June</i>		<i>For the six month period ended 30 June</i>	
			<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>	<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>
KAHRAMAA	Shareholder	Sale of electricity	<b>378,658</b>	400,680	<b>711,161</b>	729,011
		Sale of desalinated water	<b>397,585</b>	353,881	<b>751,880</b>	709,742
		Lease income from plant	<b>36,837</b>	39,280	<b>67,003</b>	69,614
			<u><b>813,080</b></u>	<u>793,841</u>	<u><b>1,530,044</b></u>	<u>1,508,367</u>
Qatar Petroleum	Affiliate	Sale of desalinated water	<u><b>4,873</b></u>	4,819	<u><b>8,106</b></u>	8,262
Qatar Petroleum	Affiliate	Cost of gas consumed/take or pay gas	<u><b>213,353</b></u>	229,013	<u><b>413,754</b></u>	422,342
Qatar National Bank	Affiliate	Interest income on bank deposits	<u><b>20,833</b></u>	6,083	<u><b>41,897</b></u>	13,111

## Qatar Electricity & Water Company Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

#### 16 RELATED PARTY DISCLOSURES (CONTINUED)

Balances with related parties included in the statement of financial position are as follows:

	<i>Nature of the relationship</i>	<i>30 June 2017</i>		<i>31 December 2016</i>	
		<i>Trade and other receivables QAR'000 (Reviewed)</i>	<i>Trade payables and accrued expenses QAR'000 (Reviewed)</i>	<i>Trade and other receivables QAR'000 (Audited)</i>	<i>Trade payables and accrued expenses QAR'000 (Audited)</i>
KAHRAMAA	Shareholder	698,895	2,728	806,696	3,152
Nebras Power Q.S.C.	Joint venture	9,599	10,845	-	5,008
Umm Al Houl Power Q.S.C.	Joint venture	6,826	-	6,831	-
Ras Gitras Power Company Q.S.C.	Joint venture	1,744	-	2,797	-
Qatar Power Q.S.C.	Joint venture	982	-	959	-
Mesaieed Power Company Q.S.C.	Joint venture	696	-	645	-
Qatar Petroleum	Affiliate	5,547	130,389	3,420	144,369
		<b>724,289</b>	<b>143,962</b>	<b>821,348</b>	<b>152,529</b>

#### Compensation of key management personnel

The remuneration of the Board of Directors and members of key management during the period is as follows:

	<i>For the three month period ended 30 June</i>		<i>For the six month period ended 30 June</i>	
	<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>	<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>
Management remuneration	576	581	2,761	2,636
Directors' fees	2,938	2,938	5,875	5,875
	<b>3,514</b>	<b>3,519</b>	<b>8,636</b>	<b>8,511</b>

#### 17 FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments carried at fair value. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

As at 30 June 2017, the Group held the following classes of financial instruments measured at fair value:

<i>At 30 June 2017</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
<b>Financial assets measured at fair value:</b>				
Available-for-sale investment securities	518,503	-	-	518,503
Positive fair value of interest rate swaps	-	27,435	-	27,435
	<b>518,503</b>	<b>27,435</b>	<b>-</b>	<b>545,938</b>
<b>Financial liabilities measured at fair value:</b>				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	-	62,779	-	62,779
	<b>-</b>	<b>62,779</b>	<b>-</b>	<b>62,779</b>

## Qatar Electricity & Water Company Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2017

#### 17 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2016, the Group held the following classes of financial instruments measured at fair value:

<i>At 31 December 2016</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
Financial assets measured at fair value:				
Available-for-sale investment securities	511,144	-	-	511,144
	<u>511,144</u>	<u>-</u>	<u>-</u>	<u>511,144</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	-	28,559	-	28,559
	<u>-</u>	<u>28,559</u>	<u>-</u>	<u>28,559</u>

During the reporting period/year ended 30 June 2017 and 31 December 2016, there were no transfers between Level 1 and Level 3 fair value measurements.

#### *Valuation techniques*

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

#### 18 CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<i>30 June 2017 (Reviewed) QAR'000</i>	<i>31 December 2016 (Audited) QAR'000</i>
Cash at bank – call and current accounts	56,220	48,032
Term deposits	2,922,888	2,962,931
Cash in hand	<u>1,000</u>	<u>68</u>
Bank balances and cash	2,980,108	3,011,031
Less: Term deposits maturing over 90 days	<u>(2,029,719)</u>	<u>(1,074,580)</u>
<b>Cash and cash equivalents</b>	<u><u>950,389</u></u>	<u><u>1,936,451</u></u>