

Qatar Electricity and Water Company Q.P.S.C.
Condensed Consolidated Interim Financial Information
30 September 2022

Qatar Electricity and Water Company Q.P.S.C.

**Condensed Consolidated Interim Financial Information
As at and for the nine-month period ended 30 September 2022**

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Independent auditors' report on review of condensed consolidated interim financial information

To the Shareholders of Qatar Electricity and Water Company Q.P.S.C.

Introduction

We have reviewed the accompanying 30 September 2022 condensed consolidated interim financial information of Qatar Electricity and Water Company Q.P.S.C. (the "Company") and its subsidiaries (together the "Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2022;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2022;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2022; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 information 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



Independent auditors' report on review of condensed consolidated interim financial information (continued)

Scope of review (continued)

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 30 September 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The condensed consolidated interim financial information as at and for the three month and nine-month periods ended 30 September 2021 were reviewed, and the consolidated financial statements as at and for the year ended 31 December 2021, were audited by another auditor, whose review and audit reports dated 26 October 2021 and 13 February 2022 respectively, expressed an unmodified review conclusion and an unmodified audit opinion thereon.

26 October 2022
Doha
State of Qatar

Yacoub Hobeika
KPMG
Qatar Auditors' Registry Number 289



Qatar Electricity and Water Company Q.P.S.C.

**Condensed consolidated statement of financial position
As at 30 September 2022**

In thousands of Qatari Riyals

		30 September 2022	31 December 2021
	Notes	(Reviewed)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,523,503	4,805,110
Right-of-use assets		59,129	22,935
Construction work-in-progress		739,459	-
Goodwill and other intangible assets		74,096	78,575
Investments in joint ventures	7	3,933,515	4,901,190
Investments in associates	7	3,639,616	171,351
Equity investments at fair value through other comprehensive income	8	3,038,671	3,164,944
Finance lease receivables	9	773,819	798,419
Positive fair value of interest rate swaps for hedging	14	75,083	-
Other assets		88,269	10,473
		<u>17,945,160</u>	<u>13,952,997</u>
Current assets			
Inventories		100,201	63,910
Trade and other receivables		708,208	566,040
Finance lease receivables	9	31,245	24,887
Positive fair value of interest rate swaps for hedging	14	2,452	-
Bank balances and cash	10	7,647,883	3,627,113
		<u>8,489,989</u>	<u>4,281,950</u>
Asset held-for-sale	24	-	255,535
Assets held-for-distribution		105,483	-
		<u>8,595,472</u>	<u>4,537,485</u>
TOTAL ASSETS		<u>26,540,632</u>	<u>18,490,482</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1,100,000	1,100,000
Legal reserve		550,000	550,000
General reserve	12	3,241,671	3,241,834
Hedge reserve	14	352,783	(1,778,702)
Fair value reserve		1,183,149	1,048,081
Foreign currency translation reserve		(15,269)	(34,344)
Retained earnings		8,225,548	7,683,966
Equity attributable to equity holders of the parent		<u>14,637,882</u>	<u>11,810,835</u>
Non-controlling interests		344,147	177,124
Total equity		<u>14,982,029</u>	<u>11,987,959</u>



The condensed consolidated statement of financial position continues on next page.

The notes on pages 10 to 28 form an integral part of these condensed consolidated interim financial information.

Qatar Electricity and Water Company Q.P.S.C.

**Condensed consolidated statement of financial position (continued)
As at 30 September 2022**

In thousands of Qatari Riyals

	Notes	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	13	6,104,256	3,582,956
Negative fair value of interest rate swaps for hedging	14	-	2,552
Lease liabilities		55,014	23,066
Employees' end of service benefits		86,216	76,094
		<u>6,245,486</u>	<u>3,684,668</u>
Current liabilities			
Interest bearing loans and borrowings	13	4,209,343	2,097,274
Negative fair value of interest rate swaps for hedging	14	-	29,700
Lease liabilities		6,366	3,037
Trade and other payables		1,012,951	687,844
Liabilities held-for-distribution		84,457	-
		<u>5,313,117</u>	<u>2,817,855</u>
Total liabilities		<u>11,558,603</u>	<u>6,502,523</u>
TOTAL EQUITY AND LIABILITIES		<u>26,540,632</u>	<u>18,490,482</u>

This condensed consolidated interim financial information was approved by the Board of Directors and signed on its behalf by the following on 26 October 2022.


Saad Bin Sherida Al-Kaabi
Chairman


Mohammed Nasser Al-Hajri
Managing Director and General Manager



The notes on pages 10 to 28 form an integral part of these condensed consolidated interim financial information.

Qatar Electricity and Water Company Q.P.S.C.

Condensed consolidated statement of profit or loss and other comprehensive income (continued)
For the three-month and nine-month period ended 30 September 2022 In thousands of Qatari Riyals

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)
Other comprehensive income:					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Share of other comprehensive income from joint ventures and associates – interest rate swaps for hedging – net of related tax					
14		467,042	163,339	1,978,706	514,340
Exchange differences on translation of foreign operations					
		(15,268)	(1,778)	6,972	(9,989)
Effective portion of changes in fair value of interest rate swaps for hedging – net of related tax					
14		136,328	7,453	202,147	34,542
Foreign currency translation reserve reclassified to statement of profit or loss on derecognition of a joint venture					
19(e)		12,103	-	12,103	-
Cash flow hedge reserve reclassified to statement of profit or loss on derecognition of a joint venture					
19(e)		(49,368)	-	(49,368)	-
		550,837	169,014	2,150,560	538,893
 <i>Items that will not be reclassified to profit or loss:</i>					
Net change in fair value of equity investments at fair value through other comprehensive income					
8		186,723	289,205	310,785	536,496
Other comprehensive income for the period					
		737,560	458,219	2,461,345	1,075,389
Total comprehensive income for the period					
		1,330,871	855,112	3,748,908	2,269,755
 Profit attributable to:					
Equity holders of the parent					
		565,398	391,262	1,249,973	1,175,946
Non-controlling interests					
		27,913	5,631	37,590	18,420
		593,311	396,893	1,287,563	1,194,366
 Total comprehensive income attributable to:					
Equity holders of the parent					
		1,302,958	849,481	3,711,318	2,251,335
Non-controlling interests					
		27,913	5,631	37,590	18,420
		1,330,871	855,112	3,748,908	2,269,755
 Earnings per share:					
Basic and diluted earnings per share (Qatari Riyals)					
18		0.51	0.36	1.14	1.07



The notes on pages 10 to 28 form an integral part of these condensed consolidated interim financial information.

Qatar Electricity and Water Company Q.P.S.C.

**Condensed consolidated statement of changes in equity
For the nine-month period ended 30 September 2022**

In thousands of Qatari Riyals

	Attributable to equity holder of the parent							Non-controlling interest	Total equity	
	Share capital	Legal reserve	General reserve	Cash flow hedge reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings			Total
Balance as at 1 January 2022	1,100,000	550,000	3,241,834	(1,778,702)	1,048,081	(34,344)	7,683,966	11,810,835	177,124	11,987,959
Profit for the period	-	-	-	-	-	-	1,249,973	1,249,973	37,590	1,287,563
Other comprehensive income	-	-	-	2,131,485	310,785	19,075	-	2,461,345	-	2,461,345
Total comprehensive income	-	-	-	2,131,485	310,785	19,075	1,249,973	3,711,318	37,590	3,748,908
Transfer upon disposal of equity securities	-	-	-	-	(175,717)	-	175,717	-	-	-
Non-controlling interest - Nebras	-	-	-	-	-	-	-	-	155,641	155,641
Dividends relating to year 2021 (Note 11)	-	-	-	-	-	-	(880,000)	(880,000)	(17,496)	(897,496)
Adjustments	-	-	(163)	-	-	-	(3,877)	(4,040)	(8,712)	(12,752)
Contribution to social and sports support fund – 2021	-	-	-	-	-	-	(231)	(231)	-	(231)
Balance at 30 September 2022 (Reviewed)	1,100,000	550,000	3,241,671	352,783	1,183,149	(15,269)	8,225,548	14,637,882	344,147	14,982,029
Balance as at 1 January 2021	1,100,000	550,000	3,241,834	(2,513,650)	454,513	(14,215)	6,939,760	9,758,242	207,745	9,965,987
Profit for the period	-	-	-	-	-	-	1,175,946	1,175,946	18,420	1,194,366
Other comprehensive income	-	-	-	548,882	536,496	(9,989)	-	1,075,389	-	1,075,389
Total comprehensive income	-	-	-	548,882	536,496	(9,989)	1,175,946	2,251,335	18,420	2,269,755
Dividends relating to year 2020 (Note 11)	-	-	-	-	-	-	(693,000)	(693,000)	(26,244)	(719,244)
Contribution to social and sports support fund – 2020	-	-	-	-	-	-	(225)	(225)	-	(225)
Balance at 30 September 2021 (Reviewed)	1,100,000	550,000	3,241,834	(1,964,768)	991,009	(24,204)	7,422,481	11,316,352	199,921	11,516,273

The notes on pages 10 to 28 form an integral part of these condensed consolidated interim financial information.

Qatar Electricity and Water Company Q.P.S.C.

**Condensed consolidated statement of cash flows
For the nine-month period ended 30 September 2022**

In thousands of Qatari Riyals

		For the nine-month period ended 30 September	
		2022	2021
Notes		(Reviewed)	(Reviewed)
OPERATING ACTIVITIES			
	Profit for the period after tax	1,287,563	1,194,366
	<i>Adjustments for:</i>		
	Depreciation of property, plant and equipment – net of reversals	186,147	205,919
	Depreciation of right-of-use assets	5,874	3,162
	Interest expense on lease liabilities	1,255	1,324
	Provision for employees' end of service benefits	13,923	6,492
	Gain in termination of leases	79	-
19(d)	Bargain purchase gain arising on business combination	(194,190)	-
	Amortization of intangible assets	4,478	4,478
	Amortization of non-current assets	1,338	1,339
7	Share of results of joint ventures and associates	(389,298)	(486,126)
17	Dividend income from equity investments at FVOCI	(160,909)	(81,411)
17	Interest income	(102,835)	(54,693)
	Net reversal of provision on slow-moving and obsolete inventories	(60,630)	-
19(e)	Step-up acquisition gain on deemed sale of a joint venture	(36,233)	-
24	Loss on sale of an asset held-for-sale	86,084	-
	Finance costs	174,355	87,505
	Operating profit before working capital changes	817,001	882,355
	<i>Working capital adjustments:</i>		
	Inventories	26,163	5,497
	Trade and other receivables	(45,427)	81,010
	Finance lease receivables	18,243	111,007
	Trade and other payables	61,056	(8,317)
	Cash flows from operating activities	877,036	1,071,552
	Employees' end of service benefits paid	(3,801)	(10,122)
	Net cash generated from operating activities	873,235	1,061,430
INVESTING ACTIVITIES			
6	Acquisition of property, plant and equipment	(40,802)	(40,471)
	Proceeds from sale of asset held-for-sale – net of expenses	169,460	-
19(a)	Consideration transferred for acquisition of a business	(1,931,850)	-
	Investment in associates and joint ventures	(5,102)	-
7	Dividends received from joint ventures and associates	299,713	313,663
8	Proceeds from sale of equity investments at FVOCI	441,200	-
	Dividends received from equity investments at FVOCI	160,909	81,411
	Movement in other non-current assets	5,044	-
	Net movement in loan receivable from joint ventures and associates	-	(65,927)
	Interest received	97,827	36,722
	Net movement in term deposits with original maturity over 90 days	(1,494,887)	(667,408)
	Net cash used in investing activities	(2,298,488)	(342,010)

The condensed consolidated statement of cash flows continues on next page.

The notes on pages 10 to 28 form an integral part of these condensed consolidated interim financial information.

Qatar Electricity and Water Company Q.P.S.C.

**Condensed consolidated statement of cash flows (continued)
For the nine-month period ended 30 September 2022**

In thousands of Qatari Riyals

	Note	For the nine-month period ended 30 September	
		2022	2021
FINANCING ACTIVITIES			
Net movements in interest bearing loans and borrowings		1,871,396	25,479
Dividends paid to the equity holders of the parent		(874,134)	(690,197)
Dividends paid to non-controlling interests		(17,496)	(26,244)
Payment of lease liabilities		(7,152)	(2,723)
Interest paid		(163,104)	(82,587)
Net cash from / (used in) financing activities		809,510	(776,272)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		1,556,163	662,520
Cash and cash equivalents at 30 September	10	940,420	605,668



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The notes on pages 10 to 28 form an integral part of these condensed consolidated interim financial information.

Qatar Electricity and Water Company Q.P.S.C.

Notes to the condensed consolidated interim financial information As at and for the nine-month period ended 30 September 2022

1. Reporting entity

Qatar Electricity and Water Company Q.P.S.C. ("the Company") is a Qatari Public Shareholding Company incorporated in the State of Qatar under commercial registration number 14275. The Company commenced its commercial operations in March 1992. The head office of the Company is located at Qatar Navigation Tower in Al-Dafna Area, West Bay, Doha, State of Qatar. The Company's shares are listed on the Qatar Stock Exchange since 3 May 1998.

The condensed consolidated interim financial information comprises the Company and its subsidiaries (collectively referred as the "Group" and individually as the "Group entities").

The principal activities of the Group are to invest, develop, own and operate plants to produce electricity and desalinated water, including the renewable assets, inside and outside Qatar, and to supply them to the state owned entities i.e. off-takers, as per the power and water purchase agreements.

Details of the Company's subsidiaries as at 30 September 2022 and 31 December 2021 were as follows:

Name of entities	Principal activity	Country of incorporation	Ultimate ownership interest	
			2022	2021
Ras Laffan Operating Company W.L.L.	Plant operation and maintenance	Qatar	100%	100%
Ras Laffan Power Company Q.P.S.C.	Generation of electricity and production of desalinated water	Qatar	80%	80%
Nebras Power Q.P.S.C.*	Investments in electricity and desalinated water projects outside Qatar	Qatar	100%	-*

The Company has the following joint ventures and an associate as at 30 September 2022 and 31 December 2021, before the business combination which is explained in the note further:

Name of entities	Principal activity	Country of incorporation	Ultimate ownership interest	
			2022	2021
Qatar Power Q.J.P.S.C.	Generation of electricity and production of desalinated water	Qatar	55%	55%
Mesaieed Power Company Q.P.S.C.	Generation of electricity	Qatar	40%	40%
Ras Girtas Power Company Q.P.S.C.	Generation of electricity and production of desalinated water	Qatar	45%	45%
Nebras Power Q.P.S.C.*	Investments in electricity and desalinated water projects outside Qatar	Qatar	-	60%
Umm Al Houl Power Q.P.S.C.	Generation of electricity and production of desalinated water	Qatar	60%	60%
Siraj Energy Q.P.S.C.**	Identifying, evaluating and development of Solar power opportunities	Qatar	49%	49%

*Refer note 19

**Refer note 25

Qatar Electricity and Water Company Q.P.S.C.

Notes to the condensed consolidated interim financial information As at and for the nine-month period ended 30 September 2022

1. Reporting entity (continued)

Below are the subsidiaries and equity-accounted investees acquired through business combination during the period (Refer note 19):

Name of subsidiary	Country of incorporation	Effective shareholding	
		2022	2021
Nebras Power Netherlands B.V.	Netherlands	100%	-
Nebras Power Investment Management B.V.	Netherlands	100%	-
Zon Exploitatie Nederland Holding B.V.	Netherlands	75%	-
Zon Exploitatie Nederland B.V.	Netherlands	75%	-
Zon Exploitatie Nederland 2 B.V.	Netherlands	75%	-
Zonhandel B.V.	Netherlands	75%	-
Zon Brabant B.V.	Netherlands	37.5%	-
BTU Rades	Cayman	100%	-
BTU International (Bermuda) Ltd	Bermuda	100%	-
Carthage Power Company SARL	Tunisia	60%	-
Nebras Netherlands Brazil Investments 1 B.V.	Brazil	100%	-
Nebras Power Latin America Ltda.	Brazil	100%	-
Nebras do Brazil Investments 1 Ltda.	Brazil	100%	-
Salgueiro Solar Holding S.A.	Brazil	80%	-
Jaíba Solar Holding S.A.	Brazil	80%	-
Francisco Sá Solar Holding S.A.	Brazil	80%	-
Lavras Solar Holding S.A.	Brazil	80%	-
Salgueiro I Energias Renováveis S.A.	Brazil	80%	-
Salgueiro II Energias Renováveis S.A.	Brazil	80%	-
Salgueiro III Energias Renováveis S.A.	Brazil	80%	-
Jaíba 3 Energias Renováveis S.A.	Brazil	80%	-
Jaíba 4 Energias Renováveis S.A.	Brazil	80%	-
Jaíba 9 Energias Renováveis S.A.	Brazil	80%	-
Francisco Sá 1 Energias Renováveis S.A.	Brazil	80%	-
Francisco Sá 2 Energias Renováveis S.A.	Brazil	80%	-
Francisco Sá 3 Energias Renováveis S.A.	Brazil	80%	-
Lavras 2 Solar Energias Renováveis S.A.	Brazil	80%	-
Lavras 1 Solar Energias Renováveis S.A.	Brazil	80%	-
Lavras 3 Solar Energias Renováveis S.A.	Brazil	80%	-
Lavras 4 Solar Energias Renováveis S.A.	Brazil	80%	-
Lavras 5 Solar Energias Renováveis S.A.	Brazil	80%	-
Scythia-Solar-1 LLC	Ukraine	75%	-
Scythia-Solar-2 LLC	Ukraine	75%	-
Terslav LLC	Ukraine	75%	-
Sun Power Pervomaisk LLC	Ukraine	75%	-
Free-Energy Henichesk LLC	Ukraine	75%	-
Nebras Power Australia Pty Ltd	Australia	100%	-

Qatar Electricity and Water Company Q.P.S.C.

Notes to the condensed consolidated interim financial information As at and for the nine-month period ended 30 September 2022

1. Reporting entity (continued)

Name of equity-accounted investee	Country of incorporation	Classification	Effective shareholding	
			2022	2021
Phoenix Power Company SAOG Phoenix Operation and Maintenance Company L.L.C.	Oman	Associate	9.84%	-
AES Oasis Ltd	Oman	Associate	15%	-
AES Baltic Holding B.V.	Cayman Islands	Associate	38.89%	-
PT Paiton Energy Pte Ltd*	Netherlands	Associate	40%	-
IPM Asia Pte Ltd	Indonesia	Associate	35.51%	-
Minejesa Capital B.V.	Singapore	Associate	35%	-
AES Jordan Solar B.V.	Netherlands	Associate	35.51%	-
Stockyard Hill Wind Farm (Holding) Pty Ltd	Netherlands	Associate	40%	-
Unique Meghnaghat Power Limited	Australia	Associate	49%	-
NEKS Energy B.V.	Bangladesh	Associate	24%	-
Shams Ma'an Solar UK Ltd	Uzbekistan	Joint venture	33.30%	-
Nebras-IPC Power Developments Limited	United Kingdom	Joint venture	35%	-
Zonnepark Masselbanken Terneuzen B.V.	England	Joint venture	50%	-
Zonnepark Duisterweg B.V.	Netherlands	Joint venture	40%	-
NEC Energia e Participacoes S.A.	Netherlands	Joint venture	40%	-
NEC Desinvestimentos e Projectos em Energia e Participacoes S.A.	Brazil	Joint venture	50%	-

2. Basis of preparation

The condensed consolidated interim financial information for the three month and nine-month periods ended 30 September 2022 have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" ("IAS 34").

The condensed consolidated interim financial information is prepared under the historical cost convention, except for equity investments at fair value through other comprehensive income and derivative financial instruments which are measured at fair value.

The condensed consolidated interim financial information has been presented in Qatar Riyals ("QAR"), which is the functional currency of the Group.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021. In addition, the results for the three month and nine-month periods ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

This condensed consolidated interim financial information was authorised for issue by the Board of Directors on 26 October 2022.

3. Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial information is consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards and interpretations effective as of 1 January 2022.

The following amendments to the existing standards have been applied by the Group in preparation of these condensed consolidated interim financial information. The adoption of the below amendments to existing standards did not result in changes to previously reported net profit or equity of the Group, but they may result in additional disclosures at year end:

Qatar Electricity and Water Company Q.P.S.C.

Notes to the condensed consolidated interim financial information As at and for the nine-month period ended 30 September 2022

3. Significant accounting policies (continued)

New and amended standards and interpretations adopted by the Group

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing this condensed consolidated interim financial information.

Description	Effective for annual periods beginning after
COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	1 April 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

These amendments had no impact on the condensed consolidated interim financial information of the Group.

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 condensed consolidated interim financial information is disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Topics	Effective date
Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1 IFRS 17 Insurance Contracts Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 Definition of Accounting Estimate – Amendments to IAS 8 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/ effective date deferred indefinitely

4. Use of judgments and estimates

In preparing the condensed consolidated interim financial information, 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 judgments, estimates and assumptions.

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 2021.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

Qatar Electricity and Water Company Q.P.S.C.

Notes to the condensed consolidated interim financial information As at and for the nine-month period ended 30 September 2022

In thousands of Qatari Riyals

6. Property, plant and equipment

Acquisitions

During the nine-month period ended 30 September 2022, the Group acquired assets with a cost of QAR 40,802 thousand (Year ended 31 December 2021: QAR 42,435 thousand). During the period, the Group also acquired assets (solar installations) through business combination amounting to QAR 882,161 (Refer note 19(c)).

Disposals / write-offs

Disposals / write-offs made during the nine-month period ended 30 September 2022 amounted to QAR 20,388 thousand (Year ended 31 December 2021: QAR 66,624 thousand).

Reversal of depreciation charge

During the period, there was a reversal of depreciation amounting to QAR 39,673 thousand due to the change in the estimated useful life and residual value of capital spares.

7. Investment in joint ventures and associates

	Country of incorporation	Group effective ownership %	30 September 2022 (Reviewed)	31 December 2021 (Audited)
<i>The Group has investment in the following joint ventures:</i>				
Nebras Power Q.P.S.C. (Note i and ii)	Qatar	60%	-	3,205,145
Umm Al Houl Power Q.P.S.C.	Qatar	60%	1,988,020	994,485
Qatar Power Q.J.P.S.C. (Note iii)	Qatar	55%	394,698	412,960
Ras Girtas Power Company Q.P.S.C. (Note iv)	Qatar	45%	847,094	150,202
Mesaieed Power Company Q.P.S.C.	Qatar	40%	472,193	138,398
	United Kingdom			
Shams Maan Solar UK Ltd*	Kingdom	35%	47,937	-
Nebras IPC Power Developments Ltd*	England	50%	910	-
Zonnepark Mosselbanken Tem. *	Netherlands	40%	33,747	-
Zonnepark Duisterweg B.V.*	Netherlands	40%	8,265	-
NEC Energia e Participacoes S.A.*	Brazil	50%	113,083	-
NEC Desinvovimentod e Projectos em Energia e Participacoes S.A.*	Brazil	50%	22,465	-
NEKS Energy B.V.	Uzbekistan	33.30%	5,103	-
			3,933,515	4,901,190
<i>The Group has investment in the following associates:</i>				
Siraj Energy Q.P.S.C. (Note v)	Qatar	49%	236,327	171,351
Phoenix Power Company SAOG	Oman	9.84%	207,392	-
Phoenix Operation and Maintenance Company L.L.C.	Oman	15%	2,962	-
	Cayman Islands			
AES Oasis Ltd*	Islands	38.89%	175,214	-
AES Baltic Holding B.V.*	Netherlands	40%	245,546	-
PT Paiton Energy Pte Ltd*	Indonesia	35.51%	1,552,824	-
IPM Asia Pte Ltd*	Singapore	35%	88,732	-
Minejesa Capital B.V.*	Netherlands	35.51%	143,209	-
AES Jordan Solar B.V.*	Netherlands	40%	29,408	-
Stockyard Hill Wind Farm (Holding) Pty Ltd*	Australia	49%	812,979	-
Unique Meghnaghat Power Limited*	Bangladesh	24%	145,023	-
			3,639,616	171,351
			7,573,131	5,072,541

*Joint ventures and associates acquired through business combination (refer Note 19).

7. Investment in joint ventures and associates (continued)

Notes:

- (i) In July 2022, the Group acquired additional 40% of the shares and voting interests in Nebras Power Q.P.S.C. ("Nebras"). As a result, the Group's equity interest in Nebras increased from 60% to 100%, granting it absolute control of Nebras (refer Note 19).

On 5 January 2022, the Company entered into a bridge loan facility amounting to USD 550 million (QAR 2 billion) with Mizuho Bank, Ltd., to be applied towards its payment of the purchase price, fees and associated costs in respect to the acquisition of the remaining 40% interest in Nebras Power Q.P.S.C. (refer Note 13(ii)).

- (ii) During 2021, Nebras Power Company Q.P.S.C. (Nebras) acquired 75% shareholding in solar assets in Ukraine over which a goodwill of QAR 76.7 million was recognised. On 24 February 2022, war between Russia and Ukraine commenced, a war that has now been going on for months.

Due to the on-going conflict between Russia and Ukraine, impairment indicators were identified for Group's five solar power plants in Ukraine. During the period ended 30 June 2022, the Group management applied significant judgment and assessed a worst-case scenario, where the solar power plants could be physically damaged in the near future, leading to no future revenues and cash collections. Based on this significant judgment, management fully impaired the carrying value of Nebras investment in Ukraine solar power plants which amounted to QAR 188 million as at 30 June 2022, and thus, recognized an impairment loss of QAR 113 million at the Group level, which was equivalent to its 60% share in Nebras as of 30 June 2022.

As of 30 September 2022, management did not identify any significant adverse impacts in the third quarter of the year. Three plants (Scythia 1, Scythia 2 and FEH) located in Zaporizhzhia and Kherson regions are still under Russian control, however, all the plants are being functioned by the O&M operator, outputs are fully billed to the off-taker and the collections have increased from 15% to 18% since June 2022. Considering these developments in the third quarter, management believes that the impairment already recognized to the extent of carrying value of Ukraine assets as of 30 June 2022 is sufficient. Management will continue to monitor its investment in Ukraine in the foreseeable future and will also explore alternative options to counter any further losses.

- (iii) On 3 September 2020, the General Tax Authority (GTA) issued an income tax assessment for the year 2016 and 2017 requiring Qatar Power Q.J.P.S.C. (Qpower) to pay additional taxes of USD 27.6 million (QAR 100.6 million). This includes penalties amounting to USD 10.4 million (QAR 37.9 million). In light of the tax assessment received, a provision for tax has been recognised amounting to USD 17.2 million (QAR 62.7 million). Qpower recognized the same amount as a receivable as per the MOU signed on 2 February 2020.

Subsequently, on 26 January 2022, the GTA, in its response, clarified these taxation related uncertainties in favour of Qpower. Further, in the appeal court hearing dated 27 January 2022, the appeal court verbally communicated their decision with regard to the taxability of foreign shareholders' share of profits in Qpower which was in line with the GTA response letter. However, there were certain matters which were not clarified by the appeal court, and were expected to be clarified in the formal written decision.

The formal written decision letter was received by Qpower on 14 February 2022, wherein it was clarified that foreign shareholding needs to be adjusted while also disallowing "Directors' remuneration" from taxable profits and reducing the resultant penalties to 30%. Management has noted certain interpretation related differences pertaining to the adjustment of foreign shareholding in Qpower, which were not clarified in the written letter, where the letter does not specify to what extent the foreign shareholding of QEWC will be adjusted. Further, the decision is also silent with regards to the retrospective application of taxability of indirect foreign shareholding of QEWC in Qpower, for the years 2016 and 2017 (open assessment years) since this requirement was introduced in 2019 only after the enactment of the New Executive Tax Regulations. Qpower management has raised the matter to the primary court requesting the court to plea that the tax assessments for the years 2016 and 2017 are incorrect. A hearing was held on 29 June 2022, and the court had appointed an independent expert to calculate the foreign shareholding in QEWC and its related tax liability.

7. Investment in joint ventures and associates (continued)

Based on the present available facts and circumstances, income tax provision and corresponding receivable from Kahramaa against its open tax assessments are not reversed, on a conservative basis, until a formal written decision is issued by the appeal court.

As per the MOU signed on 2 February 2020, the MoF also undertakes to settle the income tax amounts payable by Qpower for the previous years. Qpower also has pass-through arrangements for income tax as per the terms of the PWPA. Accordingly, Qpower has recorded income tax receivables of USD 17.2 million (QAR 62.7 million) against the tax assessment received for the same amount from the GTA. Management has applied its judgment in determining that the above arrangements will also cover any tax penalties to be paid, if any, for the prior years.

- (iv) On 29 August 2019, the General Tax Authority (GTA) issued an income tax assessment for the years from 2010 to 2018 requiring Ras Girtas Power Company Q.P.S.C. (RGPC) to pay additional taxes of USD 85 million (QAR 310 million). This includes penalties amounting to USD 27 million (QAR 98.4 million). The Company had a tax holiday for the period from April 2011 until March 2017.

RGPC wrote a detailed response to GTA on 26 September 2019 as per the requirement of the tax law, rejecting the full amount claimed by the GTA, however RGPC was not responded in due time. RGPC then filed an appeal with the Appeal Committee under the provisions of the law which is pending for hearing. However, in light of the tax assessment received, a provision for tax has been recognised amounting to USD 85 million (QAR 310 million).

As per the MOU signed on 2 February 2020, the MoF also undertakes to settle the income tax amounts payable by RGPC for the previous years. RGPC also has pass through arrangements for income tax as per the terms of the PWPA. Accordingly, RGPC has recorded income tax receivables of USD 85 million (QAR 310 million) against the tax assessment received for the same amount from the GTA. Management has applied its judgment in determining that the above arrangements will also cover any tax penalties to be paid, if any, for the prior years.

- (v) For the construction of the solar asset in Siraj(1) (underlying asset in Siraj Energy), the first target power date was initially planned to be achieved in April 2021, however, due to COVID-19 and other factors, the construction was delayed, and the target first power date is achieved in the first week of September 2022 and the Target Facility Date is met on 18 October 2022.

Although time extension claim was submitted by the EPC Contractor, which was passed through to KAHRAMAA, Siraj(1) has recorded liquidated damages payable to KAHRAMAA for the entire period of delay (actual and forecast) as an expense in the statement of profit or loss to comply with the requirements of IFRS. Further, as per the EPC contract, Siraj(1) is eligible to claim liquidated damages from the EPC contractor for the delay in achieving the Target First Power Date and Target Facility Date.

Management has applied significant judgment and have assessed that the EPC contract gives contractual right to Siraj1 to claim the delayed liquidated damages from the EPC contractor and based on the external legal opinion obtained by Siraj1, it is virtually certain that Siraj1 will recover these charges from the EPC contractor, therefore, these liquidated damages receivable from the EPC contractor is recognised as an other income by Siraj(1).

Subsequent to the period end, the Group sold its 49% stake in Siraj Energy to Qatar Energy at a total consideration of US\$ 64.5 million (Refer note 25).

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7. Investment in joint ventures and associates (continued)

(vi) The movement in the Group's investment in joint ventures and associates were as follows:

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Beginning of the period / year	5,072,541	3,999,992
Acquisition through business combination (Refer note 19(c))	3,501,579	-
Additional investments during the period / year	5,102	209,417
Deemed disposal of existing interest in a joint venture (Refer note 19 (e))	(3,190,091)	-
Share of results for the period / year	389,298	570,121
Share of other comprehensive income for the period / year	2,094,415	664,084
Dividends received	(299,713)	(371,073)
End of the period / year	<u>7,573,131</u>	<u>5,072,541</u>

Presented in the condensed consolidated statement of financial position as follows:

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Investment in joint ventures	3,933,515	4,901,190
Investment in associates	3,639,616	171,351
	<u>7,573,131</u>	<u>5,072,541</u>

8. Equity investments at fair value through other comprehensive income

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
At 1 January	3,164,944	2,571,376
Acquisition through business combination	4,142	-
Disposals during the period / year	(441,200)	-
Net change in fair value	310,785	593,568
End of the period / year	<u>3,038,671</u>	<u>3,164,944</u>

9. Finance lease receivables

Present value of minimum lease receivable is the gross lease receivable in the lease discounted at the interest rate implicit in the lease. The implicit interest rate is 9.32% per annum (2021: 9.32% per annum). Income from finance leases is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The finance lease receivables at the end of the reporting period were neither past due nor impaired.

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Gross investment in the lease	1,073,649	1,147,871
Less: Unearned finance income	(268,585)	(324,565)
Present value of minimum lease receivable	<u>805,064</u>	<u>823,306</u>

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9. Finance lease receivables (continued)

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

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Non-current portion	773,819	798,419
Current portion	<u>31,245</u>	<u>24,887</u>
	<u>805,064</u>	<u>823,306</u>

10. Cash and cash equivalents

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

	30 September 2022 (Reviewed)	31 December 2021 (Audited)	30 September 2021 (Reviewed)
Cash at bank – call and current accounts	521,304	353,915	436,878
Term deposits (Note i)	7,126,504	3,273,123	3,652,569
Cash in hand	<u>75</u>	<u>75</u>	<u>75</u>
Bank balances and cash (ii)	7,647,883	3,627,113	4,089,522
Less: Term deposits with original maturity of over 90 days	<u>(6,707,463)</u>	<u>(2,997,645)</u>	<u>(3,483,854)</u>
Cash and cash equivalents for the statement of cashflows	<u>940,420</u>	<u>629,468</u>	<u>605,668</u>

Note:

- (i) Term deposits are made for varying terms depending on the immediate cash requirements of the Group and earn interest at market rates.
- (ii) The above balance includes an amount of QR 3,141,630 thousand acquired through business combination (refer note 19(c)).

11. Share capital

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
<i>Authorized, issued and paid-up share capital</i>		
1,100,000,000 ordinary shares with nominal value of QAR 1 each	<u>1,100,000</u>	<u>1,100,000</u>

Cash dividend

During the period, the shareholders of the Company approved a cash dividend of QAR 0.80 per share totalling to QAR 880,000 thousand for the year 2021 (30 September 2021: QAR 0.63 per share totalling to QAR 693,000 thousand for the year 2020).

12. General reserve

In accordance with the Company's Articles of Association, the General Assembly may allocate a portion of the profit to a general reserve. There is no restriction on the distribution of this reserve and the funds in the reserve are available for future development of the Company as decided by the General Assembly.

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13. Interest bearing loans and borrowings

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Interest-bearing loans and borrowings (i)	10,365,864	5,727,610
Less: Financing arrangement costs	(52,265)	(47,380)
	<u>10,313,599</u>	<u>5,680,230</u>

(i) The movement in the Group's interest bearing loans and borrowings were as follows;

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Beginning of the period / year	5,727,610	6,355,830
Acquired through business combination (Refer note 19(c))	2,766,858	-
Additional borrowings acquired during the period / year (ii)	2,920,374	640,062
Repayment of borrowings	(1,048,978)	(1,268,282)
End of the period / year	<u>10,365,864</u>	<u>5,727,610</u>

The Group has obtained loans for its production facilities of RAF A1, RAF A2, RAF A3 and RAF B2, which are secured through pledge of these production facilities.

(ii) On 5 January 2022, the Company entered into a bridge loan facility with Mizuho Bank, Ltd. acting as a Facility Agent, mainly to be applied towards its payment of the purchase price, fees and associated costs in respect to the acquisition of the remaining 40% interest in Nebras Power Q.P.S.C. [refer note 7(i)]. The loan facility of USD 550 million (QAR 2 billion) carries interest at the aggregate of the applicable margin of 0.285% per annum and compounded Reference Rate for that day. The loan is payable in one year, after the date of the agreement.

(iii) Interest bearing loans and borrowings are presented in the condensed consolidated statement of financial position as follows:

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Non-current portion	6,104,256	3,582,956
Current portion	<u>4,209,343</u>	<u>2,097,274</u>
	<u>10,313,599</u>	<u>5,680,230</u>

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14. Interest rate swaps for hedging

- (a) The below table presents the movement in the interest rate swaps hedge reserve balances as disclosed in the condensed consolidated statement of financial position:

	As at and for the three-month period ended 30 September		As at and for the nine-month period ended 30 September		As at and for the year 31 December
	2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)	2021 (Audited)
Balance at 1 July / 1 January	(201,219)	(2,135,560)	(1,778,702)	(2,513,650)	(2,513,650)
Share of other comprehensive income from joint ventures and associates	467,042	163,339	1,978,706	514,340	684,213
Net changes in fair value of interest rate swaps for hedging – net of related tax	136,328	7,453	202,147	34,542	50,735
Cash flow hedge reserve reclassified to statement of profit or loss on derecognition of a joint venture	(49,368)	-	(49,368)	-	-
Balance at 30 September / 31 December	352,783	(1,964,768)	352,783	(1,964,768)	(1,778,702)

- (b) The closing balance of the interest rate swaps for hedging as at the current and previous reporting date are presented in the condensed consolidated statement of financial position as follows:

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Assets		
Non-current portion	75,083	-
Current portion	2,452	-
	<u>77,535</u>	<u>-</u>
Liabilities		
Non-current portion	-	2,552
Current portion	-	29,700
	<u>-</u>	<u>32,252</u>

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposure to IBORs on its hedging instruments that either have been or will be reformed as part of these market-wide initiatives. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

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14. Interest rate swaps for hedging (continued)

Interest rate benchmark reform (continued)

The Group's remaining IBOR exposures at the reporting date are hedging instruments indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). In March 2021, the Financial Conduct Authority announced that US dollar setting (except for one-week and two-month US dollar settings) will either cease to be provided or no longer be representative after 30 June 2023.

There has been no significant change in the balance of unreformed contracts, which include those with a fallback clause that deals with the cessation of the existing IBOR since the previous annual reporting date. As at the reporting period, the Group is still in process of replacing its US dollar LIBOR interest rate derivatives used in cashflow hedging relationships with economically equivalent interest rate derivatives referencing to SOFR.

15. Revenue from water and electricity

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)
(a) Revenue from contract with customers				
Sale of water	82,048	154,643	244,560	456,394
Sale of electricity	289,467	242,859	671,607	667,101
	<u>371,515</u>	<u>397,502</u>	<u>916,167</u>	<u>1,123,495</u>
(b) Operating lease revenue – capacity charges				
Water	222,522	163,926	659,871	486,561
Electricity	97,755	55,217	278,947	156,733
	<u>320,277</u>	<u>219,143</u>	<u>938,818</u>	<u>643,294</u>
Revenue from water and electricity	<u>691,792</u>	<u>616,645</u>	<u>1,854,985</u>	<u>1,766,789</u>

Revenue from contracts with customers includes revenue from supply of water and electricity and revenue from operations and maintenance.

Revenue from supply of water and electricity is recognised at point in time.

Revenue from operations and maintenance is recognised over a period of time upon satisfaction of the services to the customer using the output method. The Group applied the practical expedient which allows the Group to recognise the revenue in the amount to which the entity has a right to invoice as this corresponds directly with the value to the customer of the entity's performance completed to date.

16. Cost of sales

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)
Cost of gas consumed	287,121	241,721	729,583	642,756
Depreciation of property, plant and equipment – net of reversals	70,903	69,366	172,949	204,609
Staff costs	42,669	44,076	129,969	129,154
Spare parts, chemicals and consumables	27,070	24,857	78,679	78,980
Others	33,315	27,011	87,122	76,658
	<u>461,078</u>	<u>407,031</u>	<u>1,198,302</u>	<u>1,132,157</u>

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17. Other income

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)
Interest income	53,246	23,806	102,835	54,693
Dividend income from equity investments at FVOCI	-	10,355	160,909	81,411
Reversal of provision on slow-moving and obsolete inventories (1)	-	-	62,434	-
Miscellaneous income	11,383	9,395	35,221	57,899
	64,629	43,556	361,399	194,003

- (1) During the period, management performed a detailed exercise by re-assessing the inventories based on their age and providing for the inventory based on the usability and remaining shelf life which resulted in a reversal of provision amounting to QAR 62.4 million.

18. 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.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)
Profit for the period attributable to equity holder of the parent	565,398	391,262	1,249,973	1,175,946
Weighted average number of shares outstanding during the period (number of shares in thousands)	1,100,000	1,100,000	1,100,000	1,100,000
Basic and diluted earnings per share (expressed in QAR per share)	0.51	0.36	1.14	1.07

Diluted earnings per share

As at the reporting date, there are no potential dilutive shares, the diluted EPS equals to the basic EPS.

19. Acquisition of a subsidiary

In July 2022, the Group acquired additional 40% of the shares and voting interests in Nebras Power Q.P.S.C. ("Nebras"). As a result, the Group's equity interest in Nebras increased from 60% to 100%, granting it absolute control of Nebras (see Note 7). All the necessary approvals related to additional acquisition were obtained on 19 July 2022 and the purchase consideration was transferred on the same date, however, the Group has consolidated Nebras from 01 July 2022, which is determined to be the closest date to the last reporting period where more accurate information was available.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Nebras are inputs (a head office, power production facilities with long-term power purchase agreements, projects under development, and inventories), production processes and organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

Taking control of Nebras will enable the Group to expand its renewable energy interests outside Qatar and obtain significant influence and joint control over several power production facilities across multiple geographies.

19. Acquisition of a subsidiary (continued)

For the three months from 01 July 2022 until 30 September 2022, Nebras contributed revenue of QAR 47.8 million and a profit of QAR 88.1 million to the Group's results. If the acquisition had occurred on 01 January 2022, management estimates that its consolidated revenue would have been higher by QAR 62.6 million, and consolidated profit for the period would have been lower by QAR 51.0 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 01 January 2022.

(a) Consideration transferred

The Group transferred cash consideration of US\$ 530 million (QAR 1,931 million) to acquire additional 40% shares and the voting interests in Nebras. There are no other classes of considerations agreed or to be transferred between the parties.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of QAR 2.7 million on legal fees and due diligence costs. These costs have been included in "general and administrative expenses".

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition.

	Note	Amount (reviewed)
Investments in associates and joint ventures	7	3,501,579
Cash and cash equivalents	10	3,141,630
Interest bearing loans and borrowings	13	(2,766,858)
Property, plant and equipment (solar installations)	6	882,161
Work-in-progress (solar installations)		770,904
Other assets*		331,161
Other liabilities*		(389,837)
Less: Non-controlling interests		(155,641)
Total net identifiable assets acquired		<u>5,315,099</u>

*Other assets and liabilities include property, plant and equipment used for administrative purposes, right-of-use assets and lease liabilities, trade receivables and payables, derivative financials instruments, inventories, and others.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Investments in associates and joint ventures	Associates and joint ventures are valued using income approach, where the valuation technique is based on the Discounted Cash Flow ('DCF') model.
Solar installations and work-in-progress	Solar installation and work-in-process assets are valued using income approach, where the valuation technique is based on the Discounted Cash Flow ('DCF') model.
Other assets	Given the nature and relative weight of other assets on Nebras' consolidated financial statements, carrying value is assumed to approximate to their fair values.

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19. Acquisition of a subsidiary (continued)

Fair value measured on a provisional basis

The fair value of associates and joint ventures have been measured on a provisional basis and the Group expects additional intangible assets to be recognised, pending completion of an independent valuation.

If new information obtained within one year of the date of the acquisition about facts and circumstances that existed at the date of the acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

(d) Gain on bargain purchase

Gain on bargain purchase arising from the business combination has been recognised as follows:

	Note	Amount
Consideration transferred	19(a)	1,931,850
Fair value of pre-existing interest in Nebras		3,189,059
Fair value of net identifiable assets acquired	19(c)	<u>(5,315,099)</u>
Provisional gain on bargain purchase		<u>(194,190)</u>

The Group recognised a gain on bargain purchase as the purchase consideration transferred was agreed between the Group and the seller at the end of 2020, and was not amended subsequently, as it was the fixed consideration as per the Sales and Purchase Agreement (SPA), however, the fair value of the net identifiable assets increased post signing of SPA until the date of acquisition, on account of additional investments in Brazil (NEC) and in Bangladesh (Unique Meghnaghat Power Limited), which was partially offset by the increase in risk premium (WACC) in the existing investments.

The remeasurement to fair value of the Group's existing 60% interest in Nebras resulted in a profit of QAR 36.2 million (Refer note (e)) below.

(e) Gain on step-up acquisition

	Note	Amount
Fair value of pre-existing interest in Nebras	19(d)	3,189,059
Carrying value of pre-existing interest as on the date of acquisition	7	<u>(3,190,091)</u>
		(1,032)
<i>Other comprehensive income / (loss) recognized to profit / loss</i>		
Share of other comprehensive profit / (loss) from joint ventures – interest rate swaps for hedging		49,368
Share of other comprehensive profit / (loss) from joint ventures – exchange differences on translation of foreign operations		<u>(12,103)</u>
Profit on step-acquisition after reclassification of other comprehensive income / (loss)		<u>36,233</u>

20. Operating segments

A. Basis for segmentation

Operating Segments align with internal management reporting to the Group's chief operating decision makers. The Group manages its operations in two segments, Operations in Qatar and Operations outside Qatar. These segments offer the same products (Power and Water) but they are managed separately.

Operations in Qatar	Stable business environment and caters to the needs of the off-takers in the State.
Operations outside Qatar	Focus on the expansion of the Group's presence in the global energy markets.

The Group's Chief Executive Officer reviews the internal management reports of each division on a monthly basis.

Qatar Electricity and Water Company Q.P.S.C.

Notes to the condensed consolidated interim financial information
As at and for the nine-month period ended 30 September 2022

In thousands of Qatari Riyals

20. Operating segments (continued)

B. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit / (loss) for the period is used to measure performance because management believed that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same business.

	Operations in Qatar	Operations outside Qatar	Consolidated interim financial information
External revenue	1,863,615	47,815	1,911,430
Internal revenue	84,683	-	84,683
Segment revenue	1,948,298	47,815	1,996,113
Segment profit before tax	1,207,011	83,571	1,290,582
Depreciation and amortisation – net of reversals	(179,319)	(6,828)	(186,147)
Finance costs	(132,361)	(41,994)	(174,355)
Interest income	98,392	4,443	102,835
Share of results from joint ventures and associates	289,414	99,884	389,298
Income taxes	-	(3,019)	(3,019)
<i>Other material items of income and expense</i>			
Loss on sale/retirement of assets	(86,084)	-	(86,084)
Reversal of excess inventory provisions	62,434	-	62,434
Dividend income	160,909	-	160,909
Bargain purchase gain arising on business combination	194,190	-	194,190
Step-up acquisition gain on deemed sale of a joint venture	36,233	-	36,233
Miscellaneous income	35,221	-	35,221
Segment assets			
Property plants and equipment and work in progress	4,669,184	854,319	5,523,503
Investments in joint ventures and associates	3,938,332	3,634,799	7,573,131
Cash and cash equivalents	7,078,838	569,045	7,647,883
Other assets	4,765,207	1,030,908	5,796,115
	20,451,561	6,089,071	26,540,632
Segment liabilities			
Loans and borrowings	9,408,043	905,556	10,313,599
Other liabilities	997,091	247,913	1,245,004
	10,405,134	1,153,469	11,558,603

The Group has considered the generation of electricity and production of desalinated water as a single operating segment, as the Group operates integrated plants for the generation of electricity and desalination of water in the State of Qatar from where major revenues are earned. Also, these are subject to similar risks and returns and therefore, monitored as a single segment. Further, the comparative information for segments is not disclosed as until the comparative period the Group accounted Nebras Power Q.P.S.C. as an equity accounted investee, which only has operations outside Qatar.

Qatar Electricity and Water Company Q.P.S.C.

Notes to the condensed consolidated interim financial information As at and for the nine-month period ended 30 September 2022

In thousands of Qatari Riyals

20. Operating segments (continued)

C. Geographic information

The Group's operations in Qatar constitutes to 97.6% of consolidated revenue and 93.7% of the consolidated profits for the period, and 77.1% of the consolidated total assets as of the reporting period. Outside Qatar, the Group has operations through its controlled subsidiaries in Brazil, Netherlands and Ukraine, and through its associates and joint ventures in Indonesia, Jordan, Australia, Oman and other geographies.

D. Major customers

In the state of Qatar, the Group produces power and water as per the Power and Water Purchase Agreement with the Off-takers (Kahramaa and QatarEnergy). Outside Qatar, the Group has similar agreements with the local government authorities.

21. Commitments and contingent liabilities

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
(a) Commitments:		
Capital commitments	<u>1,475</u>	<u>2,332</u>
(b) Contingent liabilities:		
Corporate guarantees issued on behalf of joint ventures	450,244	450,244
Letter of credits	<u>88,845</u>	<u>95,562</u>
	<u>539,089</u>	<u>545,806</u>
(c) Other commitments:		
<i>Derivative financial instruments:</i>		
Interest rate swaps (notional amount)	<u>1,106,992</u>	<u>1,146,260</u>

22. 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.

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

	Nature of the relationship	30 September 2022		31 December 2021	
		Trade and other receivables (Reviewed)	Trade payables and accrued expenses (Reviewed)	Trade and other receivables (Audited)	Trade payables and accrued expenses (Audited)
Siraj Energy Q.P.S.C.	Associate	712	-	5,920	-
	Subsidiary	-	-	4,145	-
	(Joint venture in 2021)	-	-	-	-
Nebras Power Q.P.S.C.	Joint venture	1,791	-	4,918	-
Umm Al Houl Power Q.P.S.C.	Joint venture	1,202	-	1,176	-
Qatar Power Q.P.J.S.C.	Joint venture	-	-	-	-
Ras Girtas Power Company Q.P.S.C.	Joint venture	1,958	-	58,674	-
Mesaieed Power Company Limited Q.P.S.C.	Joint venture	650	-	1,197	-
		<u>6,313</u>	<u>-</u>	<u>76,030</u>	<u>-</u>

22. Related party disclosures (continued)

Compensation of key management personnel

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022 (Reviewed)	2021 (Reviewed)	2022 (Reviewed)	2021 (Reviewed)
Management remuneration – short term	1,067	1,391	3,202	3,191
Directors' fees – short term	2,937	2,937	8,812	8,812
Board Committee remuneration – short term	257	257	773	772
	<u>4,261</u>	<u>4,585</u>	<u>12,787</u>	<u>12,775</u>

23. 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 September 2022, the Group held the following classes of financial instruments measured at fair value:

At 30 September 2022 (Reviewed)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Equity investment at fair value through other comprehensive income	<u>3,034,529</u>	<u>-</u>	<u>4,142</u>	<u>3,038,671</u>
<i>Derivative instruments:</i>				
Positive fair value of interest rate swaps	<u>-</u>	<u>77,535</u>	<u>-</u>	<u>77,535</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 December 2021, the Group held the following classes of financial instruments measured at fair value:

At 31 December 2021 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
<i>Derivative instruments:</i>				
Equity investment at fair value through other comprehensive income	<u>3,164,944</u>	<u>-</u>	<u>-</u>	<u>3,164,944</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	<u>-</u>	<u>32,252</u>	<u>-</u>	<u>32,252</u>

During the reporting period/year ended 30 September 2022 and 31 December 2021, there were no transfers between Level 1, Level 2, and Level 3 fair value measurements.

23. Fair values of financial instruments (continued)

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.

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. The fair value of derivative instruments is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty, this is calculated based on credit spreads derived from current credit default swap or bond prices.

24. Asset held-for-sale

On 14 December 2020, the Board of Directors of the Group approved the sale of the land including related improvements and instructed management to execute this sale within one year. Accordingly, the land including related improvements, were classified as assets held-for-sale. During the period, the asset was sold at a loss of QAR 86.1 million, which has been recognised in the statement of profit or loss and other comprehensive income.

25. Subsequent events

Subsequent to the period end, the Group sold its 49% stake in Siraj Energy to Qatar Energy at a total consideration of US\$ 64.5 million. Though the share sale and purchase agreement was in discussion as at end of September 2022 and was subsequently signed after the reporting period, the finalization of the sale transaction is still subject to the lenders and certain other approvals which are considered critical before the sale transaction could be completed. Therefore, no adjustments are made in these condensed consolidated interim financial information as at and for the period ended 30 September 2022.

Except for the above, there were no material events subsequent to the reporting date, which have a bearing on the understanding of these condensed consolidated interim financial information

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