

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2016**

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2016

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

To the Board of Directors of Qatar Electricity & Water Company Q.S.C.
Doha, State of Qatar

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Qatar Electricity & Water Company Q.S.C. (the "Company") as at 30 September 2016, the condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods, changes in equity and cash flows for the nine-month period then ended, and notes to the condensed consolidated interim financial statements (the "condensed consolidated interim financial statements"). The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim 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 condensed consolidated interim financial statements as at 30 September 2016 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

26 October 2016
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry Number 251

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

In thousands of Qatari Riyals

	Note	30 September 2016	31 December 2015
ASSETS		<i>(Reviewed)</i>	<i>(Audited)</i>
Non-current assets			
Property, plant and equipment	6	5,964,512	5,713,911
Investment property	7	174,901	174,901
Intangible assets and goodwill		109,917	114,395
Investments in joint ventures	8	2,600,005	2,626,834
Available-for-sale financial assets		399,337	344,435
Finance lease receivables	9	1,399,060	1,490,605
Other assets		20,366	21,871
		<u>10,668,098</u>	<u>10,486,952</u>
Current assets			
Inventories		293,371	177,895
Trade and other receivables		754,201	887,988
Finance lease receivables	9	129,624	146,477
Cash and cash equivalents		1,915,448	1,750,798
		<u>3,092,644</u>	<u>2,963,158</u>
Total assets		<u>13,760,742</u>	<u>13,450,110</u>

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

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2016

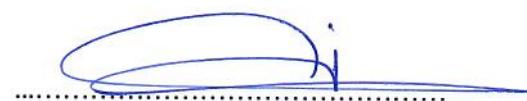
In thousands of Qatari Riyals

	Note	30 September 2016 <i>(Reviewed)</i>	31 December 2015 <i>(Audited)</i>
EQUITY AND LIABILITIES			
Equity			
Capital and reserves			
Share capital	10	1,100,000	1,100,000
Legal reserve		550,000	550,000
General reserve		3,241,834	3,241,834
Hedging reserve		(1,816,560)	(1,759,479)
Fair value reserve		183,235	175,244
Retained earnings		<u>4,447,150</u>	<u>4,038,710</u>
Equity attributable to owners of the Company		<u>7,705,659</u>	<u>7,346,309</u>
Non-controlling interests		<u>265,026</u>	<u>256,048</u>
Total equity		<u>7,970,685</u>	<u>7,602,357</u>
Non-current liabilities			
Bank loans	11	3,760,701	3,790,797
Interest rate swaps for hedging	12	5,745	20,010
Provision for employees' end of service benefits		<u>53,136</u>	<u>48,931</u>
		<u>3,819,582</u>	<u>3,859,738</u>
Current liabilities			
Bank loans	11	1,210,456	1,124,412
Interest rate swaps for hedging	12	107,329	107,329
Deferred income		1,698	6,792
Trade and other payables		<u>650,992</u>	<u>749,482</u>
		<u>1,970,475</u>	<u>1,988,015</u>
Total liabilities		<u>5,790,057</u>	<u>5,847,753</u>
Total equity and liabilities		<u>13,760,742</u>	<u>13,450,110</u>

These condensed consolidated interim financial statements were approved by the Company's Board of Directors and signed on its behalf by the following on 26 October 2016:



 Dr. Mohamed Bin Saleh Al-Sada
 Chairman



 Mr. Fahad Bin Hamad Al-Mohannadi
 Managing Director

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2016

In thousands of Qatari Riyals

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>	2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>
Revenue	13	809,970	789,285	2,326,599	2,209,451
Cost of sales		(424,637)	(438,056)	(1,240,366)	(1,220,929)
Gross profit		385,333	351,229	1,086,233	988,522
Other income		6,058	16,589	86,063	47,362
General and administrative expenses		(45,246)	(46,631)	(138,275)	(138,594)
Operating profit		346,145	321,187	1,034,021	897,290
Finance costs, net		(22,785)	(28,264)	(87,945)	(67,773)
Share of profit of associates		-	14,563	-	20,390
Share of profit of joint ventures		126,695	107,714	312,516	318,490
Profit for the period		450,055	415,200	1,258,592	1,168,397
Other comprehensive income:					
<i>Items that are or may be reclassified to profit or loss:</i>					
Interest rate swaps for hedging - effective portion of changes in fair value		30,716	(5,347)	14,265	15,670
Associates - share of effective portion of changes in fair value on interest rate swaps for hedging		7,991	(9,507)	7,991	4,748
Joint ventures - share of effective portion of changes in fair value on interest rate swaps for hedging		(28,778)	3,921	(71,347)	(21,884)
Available-for-sale financial assets - net change in fair value		35,591	(46,730)	7,991	(111,101)
Other comprehensive income for the period		45,520	(57,663)	(41,100)	(112,567)

The condensed consolidated statement of profit or loss and other comprehensive income continues on the next page.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the three-month and nine-month periods ended 30 September 2016

In thousands of Qatari Riyals

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>	2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>
Profit attributable to:					
Owners of the Company		442,306	406,432	1,233,576	1,140,597
Non-controlling interests		7,749	8,768	25,016	27,800
		450,055	415,200	1,258,592	1,168,397
Total comprehensive income attributable to:					
Owners of the Company		487,826	348,770	1,192,476	1,028,030
Non-controlling interests		7,749	8,767	25,016	27,800
		495,575	357,537	1,217,492	1,055,830
Earnings per share:					
Basic and diluted earnings per share (Qatari Riyals)	14	4.02	3.69	11.21	10.37

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2016

In thousands of Qatari Riyals

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital (Note 10)	Legal reserve	General Reserve	Hedging Reserve	Fair value reserve	Retained Earnings	Total		
Balance at 1 January 2015	1,100,000	550,000	3,241,834	(1,825,125)	316,177	3,398,727	6,781,613	242,923	7,024,536
<i>Total comprehensive income:</i>									
Profit for the period	--	--	--	--	--	1,140,597	1,140,597	27,800	1,168,397
Other comprehensive income	--	--	--	(1,466)	(111,101)	--	(112,567)	--	(112,567)
<i>Transactions with owners of the Company:</i>									
Dividends relating to year 2014 (Note 10)	--	--	--	--	--	(825,000)	(825,000)	(9,477)	(834,477)
Balance at 30 September 2015 (Reviewed)	1,100,000	550,000	3,241,834	(1,826,591)	205,076	3,714,324	6,984,643	261,246	7,245,889
Balance at 1 January 2016	1,100,000	550,000	3,241,834	(1,759,479)	175,244	4,038,710	7,346,309	256,048	7,602,357
<i>Total comprehensive income:</i>									
Profit for the period	--	--	--	--	--	1,233,576	1,233,576	25,016	1,258,592
Other comprehensive income	--	--	--	(57,081)	7,991	--	(49,090)	--	(49,090)
<i>Transactions with owners of the Company:</i>									
Dividends relating to year 2015 (Note 10)	--	--	--	--	--	(825,000)	(825,000)	(16,038)	(841,038)
<i>Other movements in equity:</i>									
Contribution to social and sports support fund	--	--	--	--	--	(136)	(136)	--	(136)
Balance at 30 September 2016 (Reviewed)	1,100,000	550,000	3,241,834	(1,816,560)	183,235	4,447,150	7,705,659	265,026	7,970,685

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2016

In thousands of Qatari Riyals

	Note	For the nine-month period ended 30 September	
		2016 (Reviewed)	2015 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		1,258,592	1,168,397
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		309,446	323,584
Profit on sale of asset		(14,268)	--
Share of profits of associates		--	(20,390)
Share of profits of joint ventures		(312,516)	(318,490)
Provision for employees' end of service benefits		5,170	5,113
Deferred income		(5,094)	(5,096)
Dividend income from available-for-sale financial assets		(11,940)	(18,375)
Amortization of intangible asset		4,478	4,477
Provision for slow moving inventories		14,288	13,790
Amortization of non-current assets		1,505	1,383
(Gain)/loss on disposal of associate		(2,709)	934
Interest income		(24,883)	(14,214)
Interest expense		110,813	81,987
		<u>1,332,882</u>	<u>1,223,100</u>
<i>Changes in:</i>			
- Trade and other receivables		133,788	(553,263)
- Inventories		(238,082)	(667)
- Finance lease receivables		108,397	100,894
- Trade and other payables		9,693	43,977
Cash generated from operating activities		<u>1,346,678</u>	<u>814,041</u>
Employees' end of service benefits paid		<u>(965)</u>	<u>(707)</u>
Net cash from operating activities		<u>1,345,713</u>	<u>813,334</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(560,046)	(675,903)
Dividends received from associates		--	13,308
Dividends received from joint ventures		267,999	313,660
Disposal of associate		--	(934)
Additions to investments in associates		--	76,782
Investment in available-for-sale financial assets		(44,203)	--
Investment in joint venture		--	(2,187)
Proceeds from disposal of property, plant and equipment		14,268	--
Dividends from available-for-sale financial assets		11,940	18,377
Interest received		24,883	14,214
Net cash used investing activities		<u>(285,159)</u>	<u>(242,683)</u>

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

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the nine-month period ended 30 September 2016

In thousands of Qatari Riyals

	Note	For the nine-month period ended 30 September	
		2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the Company's shareholders	10	(825,000)	(825,000)
Dividends paid to non-controlling interests		(16,038)	(9,477)
Net movements in interest bearing loans and borrowings		55,948	135,498
Interest paid		(110,813)	(81,987)
Net cash used in financing activities		(895,903)	(780,966)
Net increase/(decrease) in cash and cash equivalents		164,651	(210,315)
Cash and cash equivalents at beginning of period		1,750,797	1,622,307
Cash and cash equivalents at end of period		1,915,448	1,411,992

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2016

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 20 February 1992. The Company is domiciled in the State of Qatar, where it also has its principal place of business. Its registered office is at Al-Markhiya Street, Madinah Khalifah North Area, Doha, Qatar. The Company’s shares are listed on the Qatar Stock Exchange since 3 May 1998.

The Company’s condensed consolidated interim financial statements comprise the Company and its subsidiaries (collectively referred 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 (otherwise known as “KAHRAMAA”).

The subsidiaries of the Company are the following:

<i>Name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Share holding</i>
Ras Laffan Operating Company W.L.L.	Generation of electricity & production of desalinated water	Qatar	100%
Ras Laffan Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	80%

The Group has the following joint ventures:

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

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2016

2. BASIS OF ACCOUNTING

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”, and should be read in conjunction with the Company’s last annual consolidated financial statements as at and for the year ended 31 December 2015 (the “last annual consolidated financial statements”). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements were authorised for issue by the Company’s Board of Directors on 26 October 2016.

3. USE OF JUDGMENTS AND ESTIMATES

In preparing the condensed consolidated interim 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 2015.

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 identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset 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 a 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 assumptions made in measuring fair values is included in Note 18 - Fair values of financial instruments.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2016

4. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended 31 December 2015.

Changes in accounting policies

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 2016:

- *Amendments to IAS 1 on Disclosure Initiative*
- *Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization*
- *Amendments to IAS 16 and IAS 41 on Agriculture: Bearer plants*
- *Amendments to IAS 27 on equity method in Separate Financial Statements*
- *Amendments to IFRS 11 on accounting for acquisitions of interests in Joint Ventures*
- *Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities applying the consolidation exception*
- *IFRS 14 "Regulatory Deferral Accounts"*
- *Annual improvements to IFRSs 2012-2014 cycle*

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

5. SEGMENTAL INFORMATION

The Group primarily operates integrated plants for the generation of electricity and production of desalinated water in the State of Qatar. The water desalination process is completely dependent upon electricity generation. The electricity and desalinated water processes are interrelated and are subject to similar risks and returns. The Group also sells both its products to only two customers, KAHRAMAA and Qatar Petroleum, in the State of Qatar. Consequently, the Group is considered to have a single business segment and a single geographical segment.

6. PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the nine-month period ended 30 September 2016, the Group acquired assets with a cost of QR 560,046 thousand (nine-month period ended 30 September 2015: QR 675,903 thousand).

Disposals

During the nine-month period ended 30 September 2016, the Group disposed assets with a cost of QR 27,983 thousand for QR 14,268 with carrying value of QR Nil (nine-month period ended 30 September 2015: the Group disposed assets with a cost of QR 78,061 thousand for QR Nil with carrying value of QR 22,456).

Capital commitments

During the nine-month period ended 30 September 2016, the Group entered into a contract to construct property, plant and equipment of QR 275 thousand (nine-month period ended 30 September 2015: QR 1,122 thousand). The completion of property, plant and equipment under construction is expected in March 2017.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2016

In thousands of Qatari Riyals

7. INVESTMENT PROPERTY

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
At the beginning of the period / year	174,901	--
Transfer from property, plant and equipment (1)	-	174,901
At the end of the period / year	<u>174,901</u>	<u>174,901</u>

(1) Investment property comprises a plot of land in Lusail purchased from Qatar Diar Real Estate Company Q.S.C. Based on an internal valuation exercise, the fair value of the investment property as at 31 December 2015 was QR 457 million. Management is of the view that the fair value as at 30 September 2016 is not significantly different from the fair value determined as at 31 December 2015.

8. INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	<i>Country of incorporation</i>	<i>Ownership</i>	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Qatar Power Q.S.C.	Qatar	55%	319,685	376,343
Mesaieed Power Company Q.S.C. (1)	Qatar	40%	--	--
Ras Girtas Power Company Q.S.C. (1)	Qatar	45%	--	--
Nebras Power Q.S.C.	Qatar	60%	2,280,320	2,248,304
Umm Al Houl Power Q.S.C. (2)	Qatar	60%	--	2,187
			<u>2,600,005</u>	<u>2,626,834</u>

(1) 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.

(2) Umm Al Houl Power Q.S.C. is expected to be operational during year 2018.

9. FINANCE LEASE RECEIVABLES

Finance lease receivables represent the lease receivables reported in the Company's subsidiary, Ras Laffan Power Company Q.S.C (Note 1). The subsidiary adopted IFRIC 4 "Determining whether an arrangement contains a lease" accounting for its self-constructed production facilities. The discount rate used by the subsidiary during the period for arriving at the present value of the finance lease receivables was 9.32% per annum (2015: 7.50% to 9.99% per annum). The finance lease receivables at the end of the reporting period are neither past due nor impaired.

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Finance leases - gross receivable	2,438,980	2,657,612
Unearned finance income	(910,296)	(1,020,530)
Present value of minimum lease payments receivable	<u>1,528,684</u>	<u>1,637,082</u>

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2016

In thousands of Qatari Riyals

9. FINANCE LEASE RECEIVABLES (CONTINUED)

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

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Current portion	<u>129,624</u>	<u>146,477</u>
Non-current portion	<u>1,399,060</u>	<u>1,490,605</u>

10. SHARE CAPITAL

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
<i>Authorized, issued and fully paid shares::</i>		
110,000,000 ordinary shares with nominal value of QR 10 each	<u>1,100,000</u>	<u>1,100,000</u>

Dividend declared and paid

During the period, the Company declared and paid to its shareholders a dividend of QR 7.5 per share totalling to QR 825,000 thousand (2015 : QR 7.5 per share totalling to QR 825,000 thousand).

11. BANK LOANS

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
As at 1 January 2016					4,950,703
Net addition to RAF A2 project	USD	2.3%-2.7%	2036	200,843	<u>200,843</u>
Repayments:					
RAF A1 project	USD	1.00% - 3.51%	2027	(33,794)	(33,794)
RAF A2 project	USD	2.3% - 2.7%	2036	(12,775)	(12,775)
RAF B2 project	USD	0.05% - 1.65%	2031	(25,840)	(25,840)
Other loan	USD	1.95% - 2.35%	2019	(73,939)	<u>(73,939)</u>
Less: Financing arrangement costs					(34,041)
As at 30 September 2016					<u><u>4,971,157</u></u>

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2016

In thousands of Qatari Riyals

11. BANK LOANS (CONTINUED)

The bank loans are presented in the condensed consolidated statement of financial position as follows:

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Current portion	1,210,456	1,124,412
Non-current portion	<u>3,760,701</u>	<u>3,790,797</u>
	<u>4,971,157</u>	<u>4,915,209</u>

The Company has entered into a new loan agreement during the period with a consortium of banks for an amount of QR 386.5 million. However, no drawdown has been made as of 30 September 2016.

12. INTEREST RATE SWAPS FOR HEDGING

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
At 1 January	127,339	170,766
Change in fair value transferred to other comprehensive income	<u>(14,265)</u>	<u>(43,427)</u>
Closing balance	<u>113,074</u>	<u>127,339</u>

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

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Current portion	107,329	107,329
Non-current portion	<u>5,745</u>	<u>20,010</u>
	<u>113,074</u>	<u>127,339</u>

During the period, the Company has entered into three interest rate swap arrangements with three banks to hedge the 50% of new loan facility (Note 11).

13. REVENUE

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2016 (Reviewed)	2015 (Reviewed)	2016 (Reviewed)	2015 (Reviewed)
<i>Sales represent the revenue generated from the supply of:</i>				
Electricity	398,902	408,557	1,127,912	1,123,193
Desalinated water	373,666	338,928	1,091,671	954,667
<i>Lease income from plant lease:</i>				
Ras Laffan Power Company Limited Q.S.C.	<u>37,402</u>	<u>41,800</u>	<u>107,016</u>	<u>131,591</u>
	<u>809,970</u>	<u>789,285</u>	<u>2,326,599</u>	<u>2,209,451</u>

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

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14. EARNINGS PER SHARE

The calculation of basic earnings per share is arrived by dividing the profit attributable to the owners of the 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	
	2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>	2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>
Profit for the period attributable to owners of the Company	442,306	406,432	1,233,576	1,140,597
Weighted average number of shares outstanding during the period (in shares)	110,000	110,000	110,000	110,000
Basic and diluted earnings per share (expressed in QR per share)	4.02	3.69	11.21	10.37

15. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

The Company disposed Al Wajbah, Al Saliyah and Doha South Super stations and recognised a gain of QR 14.2 million for the period, which is included in the profit or loss. These stations were classified as held for sale and their carrying value at the reporting date was QR Nil as they were fully depreciated in earlier years (2015: QR Nil).

16. CONTINGENT LIABILITIES

	30 September 2016 <i>(Reviewed)</i>	31 December 2015 <i>(Audited)</i>
Bank guarantees, corporate guarantees and documentary credits	185,511	213,174

17. RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, 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.

Related party transactions

	<i>Related parties</i>	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>	2016 <i>(Reviewed)</i>	2015 <i>(Reviewed)</i>
<i>Sales:</i>					
Revenue from sale of electricity	KAHRAMAA	398,901	408,557	1,127,912	1,123,193
Revenue from sale of desalinated water	KAHRAMAA	371,468	333,000	1,081,210	941,768
	Qatar				
	Petroleum	2,198	5,928	10,461	12,899
Lease income from plant lease	KAHRAMAA	37,402	41,800	107,016	131,591

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17. RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions (continued)

<i>Cost of sales:</i>	<i>Related parties</i>				
Cost of gas consumed/take or pay gas	Qatar Petroleum	234,595	237,861	656,937	624,525
<i>Other income:</i>					
Interest on bank deposits	Qatar National Bank	6,670	4,173	19,781	12,464

Related party balances

	30 September 2016		31 December 2015	
	Trade receivables (Reviewed)	Trade payables and accrued expenses (Reviewed)	Trade receivables (Audited)	Trade payables and accrued expenses (Audited)
KAHRAMAA	654,885	3,152	576,478	1,792
Qatar Petroleum	3,963	147,852	4,577	142,633
Nebras Power Q.S.C.	-	-	245,586	-
Umm Al Houl Power Q.S.C.	-	-	14,900	-
	658,848	151,004	841,541	144,425

Compensation of key management personnel

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

	For the nine-month period ended 30 September	
	2016 (Reviewed)	2015 (Reviewed)
Total remuneration	11,995	12,667

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18. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and 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.

	Carrying amount				Fair value				
	Derivative hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 September 2016									
<i>Financial assets measured at fair value</i>									
Equity securities	--	--	399,337	--	399,337	399,337	--	--	399,337
<i>Financial assets not measured at fair value</i>									
Trade and other receivables	--	754,201	--	--	754,201	--	--	--	--
Cash and cash equivalents	--	1,915,448	--	--	1,915,448	--	--	--	--
	--	2,669,649	--	--	2,669,649	--	--	--	--
<i>Financial liabilities measured at fair value</i>									
Interest rate swaps used for hedging	113,074	--	--	--	113,074	--	113,074	--	113,074
<i>Financial liabilities not measured at fair value</i>									
Interest bearing loans and borrowings	--	--	--	4,971,157	4,971,157	--	--	--	--
Trade payables	--	--	--	143,505	143,505	--	--	--	--
	--	--	--	5,114,662	5,114,662	--	--	--	--

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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18. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount					Fair value			
	Derivative hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2015	--	--	344,435	--	344,435	344,435	--	--	344,435
<i>Financial assets measured at fair value</i>									
Equity securities	--	--	344,435	--	344,435	344,435	--	--	344,435
<i>Financial assets not measured at fair value</i>									
Trade and other receivables	--	887,988	--	--	887,988	--	--	--	--
Cash and cash equivalents	--	1,750,798	--	--	1,750,798	--	--	--	--
<i>Financial liabilities measured at fair value</i>									
Interest rate swaps used for hedging	127,339	--	--	--	127,339	--	127,339	--	127,339
<i>Financial liabilities not measured at fair value</i>									
Interest bearing loans and borrowings	--	--	--	4,915,209	4,915,209	--	--	--	--
Trade payables	--	--	--	300,135	300,135	--	--	--	--
	--	--	--	5,215,344	5,215,344	--	--	--	--

19. SUBSEQUENT EVENTS

There were no subsequent events after the reporting date, which have a bearing on the understanding on these condensed consolidated interim financial statements.

Independent auditors report on review of condensed consolidated interim financial statements on page 1.