

**QATAR GAS TRANSPORT COMPANY LIMITED
(NAKILAT) (Q.S.C.)
DOHA - QATAR**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015**

| Contents | Page(s) |
|---|----------------|
| Independent Auditor's Review Report | 1 |
| <i><u>Interim Condensed Consolidated Financial Statements</u></i> | |
| Interim Condensed Consolidated Statement of Financial Position | 2 |
| Interim Condensed Consolidated Statement of Income | 3 |
| Interim Condensed Consolidated Statement of Comprehensive Income | 4 |
| Interim Condensed Consolidated Statement of Changes in Equity | 5 |
| Interim Condensed Consolidated Statement of Cash Flows | 6 |
| Notes to the Interim Condensed Consolidated Financial Statements | 7 – 14 |

Independent Auditor's Review Report

To
The Board of Directors
Qatar Gas Transport Company Limited (Nakilat) (Q.S.C.)
Doha - Qatar

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Qatar Gas Transport Company Limited (Nakilat) (Q.S.C.) (the "Company"), and its subsidiaries and joint ventures (together referred as the "Group") as at June 30, 2015, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Doha-Qatar
July 14, 2015

For Deloitte & Touche
Qatar Branch

Muhammad Bahemia
Partner
License No. 103

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

| | | June 30, 2015 (Reviewed) | December 31, 2014 (Audited) |
|--|-------------|---|--|
| ASSETS | Note | | |
| Non-Current Assets: | | | |
| Property and equipment | 3 | 24,195,003 | 24,455,004 |
| Investment in joint venture companies | 4 | 3,092,819 | 2,872,025 |
| Loans to joint venture companies | | 305,748 | 342,961 |
| Available-for-sale investments | | 152,898 | 177,293 |
| Total Non-Current Assets | | 27,746,468 | 27,847,283 |
| Current Assets: | | | |
| Inventories | | 25,611 | 26,028 |
| Trade and other receivables | | 391,592 | 278,166 |
| Due from joint venture companies | | 13,998 | 15,943 |
| Cash and bank balances | 5 | 2,433,188 | 2,901,610 |
| Total Current Assets | | 2,864,389 | 3,221,747 |
| Total Assets | | 30,610,857 | 31,069,030 |
| EQUITY AND LIABILITIES | | | |
| Equity: | | | |
| Share capital | 6 | 5,538,484 | 5,538,483 |
| Legal reserve | 7 | 493,815 | 493,815 |
| Fair value reserve | | 106,430 | 130,825 |
| Proposed cash dividend | | - | 664,832 |
| Retained earnings | | 1,679,939 | 1,189,744 |
| Equity before hedging reserve and non-controlling interests | | 7,818,668 | 8,017,699 |
| Hedging reserve | 8 | (3,875,119) | (4,225,498) |
| Equity after hedging reserve and before non-controlling interests | | 3,943,549 | 3,792,201 |
| Non-controlling interests | | 8,885 | 8,254 |
| Non-Current Liabilities: | | | |
| Borrowings | 9 | 21,804,816 | 22,187,929 |
| Fair value of interest rate swaps | 10 | 3,297,940 | 3,627,748 |
| Provision for employees' end of service benefits | | 22,638 | 22,104 |
| Other liabilities | | 222,844 | 178,963 |
| Total Non-Current Liabilities | | 25,348,238 | 26,016,744 |
| Current Liabilities: | | | |
| Borrowings | 9 | 764,847 | 752,521 |
| Accounts payable and accruals | | 528,646 | 497,050 |
| Due to joint venture companies | | 16,692 | 2,260 |
| Total Current Liabilities | | 1,310,185 | 1,251,831 |
| Total Equity and Liabilities | | 30,610,857 | 31,069,030 |

These interim condensed consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on **July 14, 2015**.


HE Dr. Mohammed Bin Saleh Al-Sada
Chairman


Abdullah Fadhalah Al-Sulaiti
Managing Director

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

| | Note | Six Month Period Ended June 30, 2015 (Reviewed) | Six Month Period Ended June 30, 2014 (Reviewed) |
|---|-------------|--|--|
| <u>Income:</u> | | | |
| Revenue from wholly owned vessels | | 1,497,984 | 1,496,683 |
| Share of profits from joint ventures | 4 | 231,065 | 197,479 |
| Income from marine and agency services | | 28,522 | 28,860 |
| Interest income on loans to joint ventures | | 5,347 | 6,744 |
| Interest, dividend and profit from Islamic banks | | 18,939 | 17,401 |
| Other income | | 15,206 | 6,806 |
| Total Income | | 1,797,063 | 1,753,973 |
| <u>Expenses:</u> | | | |
| Operating costs | | (309,948) | (322,932) |
| General and administrative | | (57,006) | (56,200) |
| Depreciation of property and equipment | 3 | (340,552) | (320,038) |
| Finance charges | | (598,731) | (628,541) |
| Total Expenses | | (1,306,237) | (1,327,711) |
| Profit for the period from operations | | 490,826 | 426,262 |
| Gain on derivative instruments from a joint venture | 4 | - | 19,239 |
| Profit for the period | | 490,826 | 445,501 |
| <u>Profit for the period attributable to:</u> | | | |
| Owners of the Company | | 490,195 | 444,853 |
| Non-controlling interests | | 631 | 648 |
| Total | | 490,826 | 445,501 |
| Basic and diluted earnings per share (expressed in QR per share) | 12 | 0.89 | 0.80 |

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

| | Six Month Period Ended June 30, 2015 (Reviewed) | Six Month Period Ended June 30, 2014 (Reviewed) |
|---|--|--|
| Profit for the period | 490,826 | 445,501 |
| <u>Other comprehensive income / (loss)</u> | | |
| <i>Items that may be reclassified subsequently to statement of income</i> | | |
| Changes in fair value of available-for-sale investments | (24,395) | 11,543 |
| Changes in fair value of cash flow hedging derivatives | 329,808 | (496,894) |
| Group's share of joint ventures' changes in fair value of cash flow hedging derivatives | 20,571 | (21,167) |
| Total comprehensive income / (loss) for the period | <u>816,810</u> | <u>(61,017)</u> |
| Total comprehensive income / (loss) for the period attributable to: | | |
| Owners of the Company | 816,179 | (61,665) |
| Non-controlling interests | 631 | 648 |
| Total | <u>816,810</u> | <u>(61,017)</u> |

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015**

(Amounts expressed in thousands of Qatari Riyals)

| | Share Capital | Legal Reserve | Fair Value Reserve | Translation Reserve | Proposed Cash Dividend | Retained Earnings | Equity Before Hedging Reserve and Non-Controlling Interest | Hedging Reserve | Non- Controlling Interest |
|--|------------------|------------------|-----------------------|------------------------|------------------------------|----------------------|--|--------------------|---------------------------------|
| Balance as of January 01, 2014 (Audited) | 5,538,458 | 404,457 | 129,397 | 28,626 | 609,429 | 1,072,687 | 7,783,054 | (3,443,428) | 6,842 |
| Profit for the period | - | - | - | - | - | 444,853 | 444,853 | - | 648 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - | - |
| -Changes in fair value of available-for-sale investments | - | - | 11,543 | - | - | - | 11,543 | - | - |
| -Changes in fair value of cash flow hedging derivatives | - | - | - | - | - | - | - | (496,894) | - |
| -Group's share of joint ventures' changes in fair value of cash flow hedging derivatives | - | - | - | - | - | - | - | (21,167) | - |
| Total comprehensive income for the period | - | - | 11,543 | - | - | 444,853 | 456,396 | (518,061) | 648 |
| Dividend declared for 2013 | - | - | - | - | (609,429) | - | (609,429) | - | - |
| Capital contribution | 7 | - | - | - | - | - | 7 | - | - |
| Balance as of June 30, 2014– (Reviewed) | 5,538,465 | 404,457 | 140,940 | 28,626 | - | 1,517,540 | 7,630,028 | (3,961,489) | 7,490 |
| Balance as of January 01, 2015 (Audited) | 5,538,483 | 493,815 | 130,825 | - | 664,832 | 1,189,744 | 8,017,699 | (4,225,498) | 8,254 |
| Profit for the period | - | - | - | - | - | 490,195 | 490,195 | - | 631 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - | - |
| -Changes in fair value of available-for-sale investments | - | - | (24,395) | - | - | - | (24,395) | - | - |
| -Changes in fair value of cash flow hedging derivatives | - | - | - | - | - | - | - | 329,808 | - |
| -Group's share of joint ventures' changes in fair value of cash flow hedging derivatives | - | - | - | - | - | - | - | 20,571 | - |
| Total comprehensive income for the period | - | - | (24,395) | - | - | 490,195 | 465,800 | 350,379 | 631 |
| Dividend declared for 2014 | - | - | - | - | (664,832) | - | (664,832) | - | - |
| Capital contribution | 1 | - | - | - | - | - | 1 | - | - |
| Balance as of June 30, 2015– (Reviewed) | 5,538,484 | 493,815 | 106,430 | - | - | 1,679,939 | 7,818,668 | (3,875,119) | 8,885 |

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

| | Note | Six Month Period Ended June 30, 2015 (Reviewed) | Six Month Period Ended June 30, 2014 (Reviewed) |
|---|------|--|--|
| Cash Flows from Operating Activities: | | | |
| Profit for the period | | 490,826 | 445,501 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 3 | 340,552 | 320,038 |
| Finance charges | | 598,731 | 628,541 |
| Share of profits from joint ventures | | (231,065) | (197,479) |
| Gain on derivative instruments from a joint venture | | - | (19,239) |
| Interest income on loans to joint ventures | | (5,347) | (6,744) |
| Interest, dividend and profit from Islamic banks | | (18,939) | (17,401) |
| Other income | | (15,206) | (5,698) |
| Provision for employees' end of service benefits | | 3,089 | 3,040 |
| | | <u>1,162,641</u> | <u>1,150,559</u> |
| Working Capital Changes: | | | |
| Inventories | | 417 | (563) |
| Trade and other receivables | | (111,054) | (84,593) |
| Accounts payable and accruals | | 29,074 | 16,537 |
| Other liabilities | | 43,881 | 19,092 |
| Due from joint venture companies | | (2,012) | 1,893 |
| Due to joint venture companies | | 14,432 | (3,172) |
| Cash generated from operations | | <u>1,137,379</u> | <u>1,099,753</u> |
| Finance charges paid | | (595,256) | (619,876) |
| Employees' end of service benefits paid | | (2,555) | (702) |
| Net Cash from Operating Activities | | <u>539,568</u> | <u>479,175</u> |
| Cash Flows from Investing Activities: | | | |
| Loans to joint venture companies-net | | 29,609 | 397,703 |
| Dividend income received from joint ventures | 4 | 27,852 | 35,120 |
| Acquisition of property and equipment | 3 | (80,551) | (47,909) |
| Time deposits maturing after ninety days | | (80,603) | (55,000) |
| Investment income received | | 27,330 | 25,545 |
| Net Cash (used in) / from Investing Activities | | <u>(76,363)</u> | <u>355,459</u> |
| Cash Flows from Financing Activities: | | | |
| Proceeds from issue of share capital | | 1 | 7 |
| Dividend paid to shareholders | | (629,133) | (575,285) |
| Unpaid dividend transferred to separate bank account | | (45,086) | (44,696) |
| Transaction costs of refinancing | | - | (14,016) |
| Proceeds from borrowings | | - | 1,820,765 |
| Repayment of borrowings | | (373,354) | (1,629,885) |
| Net Cash used in Financing Activities | | <u>(1,047,572)</u> | <u>(443,110)</u> |
| Net (Decrease) / Increase in Cash and Cash Equivalents | | <u>(584,367)</u> | <u>391,524</u> |
| Cash and Cash Equivalents at Beginning of the Period | | <u>2,095,576</u> | <u>1,837,658</u> |
| Cash and Cash Equivalents at End of the Period | 5.1 | <u>1,511,209</u> | <u>2,229,182</u> |

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

1. Reporting Entity:

Qatar Gas Transport Company Limited (Nakilat) (Q.S.C.) ("QGTC" or "the Company") is a Public Shareholding Company, incorporated in the State of Qatar on June 9, 2004, under Commercial Registration Number 28566 in accordance with Article No. 68 of the Qatar Commercial Companies Law No. 5 of year 2002. The approval for the formation of the Company was made under decision No. 70 of the Ministry of Business and Trade. The Company is governed by its Memorandum and Articles of Association and Qatar Commercial Companies Law No. 5 of 2002. The shares of the Company started trading in the Qatar Exchange on April 7, 2005.

The main purpose of the Company is to work in the industry of gas transport either through direct acquisition of ocean going vessels or by investing in joint ventures with other parties.

These interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries together referred to as the "Group" and the Group's interests in jointly controlled entities.

Although mostly the joint venture entities are located abroad, their trading activities are mainly derived from contracts with local companies in Qatar. The Group can be therefore viewed to provide services within the same economic environment and subject to the same economic risk.

2. Basis of Preparation and Significant Accounting Policies:

2.1 Basis of preparation:

The accompanying interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard IAS 34 – "Interim Financial Reporting" under the historical cost convention except for certain financial instruments which have been stated at fair value. They do not include all of the information required for full annual financial statements, therefore should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2014. In addition, results for the six month period ended June 30, 2015 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2015.

2.2 Significant accounting policies:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2014 except for the adoption of revised standards effective as of January 01, 2015. However, they do not impact the interim condensed consolidated financial statements of the Group.

(i) Revised Standards:

Effective for annual periods beginning on or after January 1, 2015.

- IAS 19 *Defined Benefit Plans: Employee Contributions*
(Amended)
- Annual Improvements *IFRS 2: definition of 'vesting condition'.*
2010 - 2012 *IFRS 3: accounting for contingent consideration.*
Cycle *IFRS 8: aggregation of segments, reconciliation of segment assets.*
IAS 16: proportionate restatement of accumulated depreciation on revaluation.
IAS 24: management entities
IAS 38: proportionate restatement of accumulated depreciation on revaluation.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

2. Basis of Preparation and Significant Accounting Policies (continued):

2.2 Significant accounting policies (continued):

(i) Revised Standards (continued):

- Annual *IFRS 3: scope exception for joint ventures.*
- Improvements *IFRS 13: scope of the portfolio exception in paragraph 52.*
- 2011-2013 Cycle *IAS 40: interrelationship between IFRS 3 and IAS 40.*

3. Property and Equipment:

| | <i>Vessels</i> | <i>SAP</i> | <i>Equipment</i> | <i>Furniture and Fixtures</i> | <i>Others</i> | <i>Total</i> |
|------------------------------------|-------------------|---------------|------------------|-------------------------------|----------------|-------------------|
| Cost: | | | | | | |
| At January 01, 2014 (Audited) | 27,180,597 | 44,010 | 7,096 | 983 | 299,007 | 27,531,693 |
| Additions during the year | 200,394 | 335 | 275 | - | 59,711 | 260,715 |
| At December 31, 2014 (Audited) | 27,380,991 | 44,345 | 7,371 | 983 | 358,718 | 27,792,408 |
| Additions during the period | 52,799 | 141 | 38 | - | 27,573 | 80,551 |
| Disposal during the period | - | - | - | (26) | - | (26) |
| At June 30, 2015 (Reviewed) | 27,433,790 | 44,486 | 7,409 | 957 | 386,291 | 27,872,933 |
| Accumulated Depreciation: | | | | | | |
| At January 01, 2014 (Audited) | 2,585,030 | 40,922 | 5,560 | 723 | 44,140 | 2,676,375 |
| Charge for the year | 648,671 | 3,118 | 670 | 109 | 8,461 | 661,029 |
| At December 31, 2014 (Audited) | 3,233,701 | 44,040 | 6,230 | 832 | 52,601 | 3,337,404 |
| Charge for the period | 335,940 | 61 | 295 | 27 | 4,229 | 340,552 |
| Disposal during the period | - | - | - | (26) | - | (26) |
| At June 30, 2015 (Reviewed) | 3,569,641 | 44,101 | 6,525 | 833 | 56,830 | 3,677,930 |
| Net Carrying Amount: | | | | | | |
| At June 30, 2015 (Reviewed) | 23,864,149 | 385 | 884 | 124 | 329,461 | 24,195,003 |
| At December 31, 2014 (Audited) | 24,147,290 | 305 | 1,141 | 151 | 306,117 | 24,455,004 |

4. Investment in Joint Venture Companies:

| | QR '000' |
|--|------------------|
| Balance – January 01, 2014 (Audited) | 2,641,403 |
| Share of profit for the year | 435,203 |
| Additional distribution by a joint venture company | 61,122 |
| Gain adjusted against loan to joint ventures | (9,227) |
| Share of hedging reserve for the year* | 20,743 |
| Reversal of translation reserve | (28,626) |
| Dividend received during the year | (248,593) |
| Balance – December 31, 2014 (Audited) | 2,872,025 |
| Share of profit for the six month period ended June 30, 2015 | 231,065 |
| Adjustment against additional distribution by a joint venture company | (17,430) |
| Loss adjusted against loan to joint ventures | 13,123 |
| Share of hedging reserve for the six month period ended June 30, 2015* | 21,888 |
| Dividend received during the six month period ended June 30, 2015 | (27,852) |
| Balance – June 30, 2015 (Reviewed) | 3,092,819 |

* This excludes the share of losses on the hedging reserve from joint ventures amounting to a total of **QR 1.3 million** (2014: QR 0.8 million gains) adjusted against the loans to the respective joint venture.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)

DOHA – QATAR

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015**

(Amounts expressed in thousands of Qatari Riyals)

| 5. <u>Cash and Bank Balances:</u> | June 30, 2015 (Reviewed) | December 31, 2014 (Audited) |
|--|---|--|
| Cash on hand | 342 | 344 |
| Cash at bank –Call and current accounts | 1,335,285 | 455,895 |
| Cash at bank-Time deposits * | 963,355 | 2,346,507 |
| Other bank balances (a) | 21,628 | 21,985 |
| Other bank balances (b) | 112,578 | 76,879 |
| Total | 2,433,188 | 2,901,610 |

* The effective interest and profit rates on the time deposits varies between 1.3% to 2.05% (2014: 0.22% to 1.6%).

5.1 Cash and Cash Equivalents:

| | Six Month Period Ended June 30, 2015 (Reviewed) | Six Month Period Ended June 30, 2014 (Reviewed) |
|---|--|--|
| Cash and bank balances | 2,433,188 | 2,411,419 |
| Less: | | |
| -Other bank balances (a) | (21,628) | (22,032) |
| -Other bank balances (b) | (112,578) | (105,205) |
| -Time deposits maturing after ninety days | (787,773) | (55,000) |
| | 1,511,209 | 2,229,182 |

(a) Cash payable to shareholders for unclaimed proceeds of their shares auctioned related to the second IPO call.

(b) Cash payable to shareholders for unclaimed dividend.

6. Share Capital:

| | June 30, 2015 (Reviewed) | December 31, 2014 (Audited) |
|---|---|--|
| | Number of Shares | Number of Shares |
| Authorized share capital | 560,000,000 | 560,000,000 |
| Issued share capital | 554,026,360 | 554,026,360 |
| | Amount | Amount |
| Issued and paid up share capital with a par value of QR 10 each. | 5,538,484 | 5,538,483 |

During the six month period ended June 30, 2015, the Company has received **QR 1 thousand** (2014: QR 25 thousands) as the balance 50% amount in relation to shares which were 50% paid. At **June 30, 2015**, a total of **355,976** issued shares are 50% paid (2014: 356,092 issued shares were 50% paid).

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

7. Legal Reserve:

The Articles of Association of the Company require the Company to provide for a legal reserve at 10% of net profit for each year until it reaches 50% of paid up share capital. This reserve is not available for distribution except for circumstances specified in the Articles of Association. No legal reserve has been computed for the purpose of these interim condensed consolidated financial statements.

8. Hedging Reserve:

This represents the Group's share of the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge that was recognized by one of its subsidiaries and its share from the joint venture companies.

The negative hedging reserve represents an accounting entry from the revaluation to fair value the interest rate swaps. The hedging reserve is expected to decrease over time as loans are repaid and the notional amount of the swaps decreases. The reserve on designated hedges is not expected to impact either consolidated profit or loss or retained earnings. The negative hedge reserve arises on interest rate swaps that relate to variable interest bearing loans taken to build vessels. The Group also enters into long-term time charter agreements to lock-in the future cash inflows from vessels. This strategy is expected to result in a more stable stream of cash flows in the future and minimize uncertainties associated with shipping spot rate movements or interest rate movements.

9. Borrowings:

These consist of the following:

| | June 30, 2015 (Reviewed) | December 31, 2014 (Audited) |
|--|---|--|
| Loan | 1,820,765 | 1,820,765 |
| Senior bank facilities | 13,071,291 | 13,227,771 |
| Subordinated bank facilities | 1,484,861 | 1,501,836 |
| Senior bonds – Series “A” | 3,095,299 | 3,095,299 |
| Subordinated bonds – Series “A” | 971,272 | 985,135 |
| KEXIM Facility | 870,800 | 949,964 |
| KSURE Covered Facility | 1,318,075 | 1,424,946 |
| Less: Issuance cost of bonds | (25,920) | (26,621) |
| Less: Costs incurred for financing | (12,274) | (12,972) |
| Less: Transaction costs of refinancing | (24,506) | (25,673) |
| Total | 22,569,663 | 22,940,450 |
| Classified as: | | |
| Payable within one year | 764,847 | 752,521 |
| Payable after one year | 21,804,816 | 22,187,929 |

The weighted average interest rate on short / long term facilities (excluding hedge), loans and bonds as above at **June 30, 2015** is **2.1684%** (December 31, 2014: 2.1550%).

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

10. Fair Value of Interest Rate Swaps:

The Group has entered into interest rate swap agreements with several financial institutions. As at **June 30, 2015** the outstanding notional amount of swap agreements is **QR 12,742 million** (2014: QR 13,050 million) and net fair value is negative **QR 3,298 million** (2014: QR 3,628 million).

11. Related Party Transactions:

| | Six Month Period Ended June 30, 2015 (Reviewed) | Six Month Period Ended June 30, 2014 (Reviewed) |
|--|--|--|
| Loans to joint ventures (net) | <u>29,609</u> | <u>397,703</u> |
| Interest income on loans to joint ventures | <u>5,347</u> | <u>6,744</u> |
| Compensation of key management personnel | <u>3,814</u> | <u>3,170</u> |
| Board of Directors' remuneration accrued | <u>1,925</u> | <u>1,925</u> |

12. Earnings Per Share:

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period.

| | Six Month Period Ended June 30, 2015 (Reviewed) | Six Month Period Ended June 30, 2014 (Reviewed) |
|---|--|--|
| Profit for the period attributable to the owners of the Company | <u>490,195</u> | <u>444,853</u> |
| Weighted average number of shares outstanding during the period | <u>553,848,372</u> | <u>553,846,465</u> |
| Basic and diluted earnings per share (expressed in QR per share) | <u>0.89</u> | <u>0.80</u> |

There were no potentially dilutive shares outstanding at any time during the period and hence the diluted earnings per share are equal to the basic earnings per share.

13. Fair Values:

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at June 30, 2015:

| | Carrying amount | Fair value |
|----------------------------------|----------------------------|-------------------------|
| Financial assets: | | |
| Loans to joint ventures | <u>305,748</u> | <u>305,748</u> |
| Available-for-sale investments | <u>152,898</u> | <u>152,898</u> |
| Total non-current | <u>458,646</u> | <u>458,646</u> |
| Trade and other receivables | <u>391,592</u> | <u>391,592</u> |
| Due from joint venture companies | <u>13,998</u> | <u>13,998</u> |
| Cash and bank balances | <u>2,433,188</u> | <u>2,433,188</u> |
| Total current | <u>2,838,778</u> | <u>2,838,778</u> |
| Total financial assets | <u>3,297,424</u> | <u>3,297,424</u> |

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

13. Fair Values (continued):

| | <u>Carrying amount</u> | <u>Fair value</u> |
|---------------------------------------|----------------------------|-----------------------|
| Financial liabilities: | | |
| Interest bearing loans and borrowings | 22,569,663 | 22,569,663 |
| Fair value of interest rate swaps | 3,297,940 | 3,297,940 |
| Total non-current | <u>25,867,603</u> | <u>25,867,603</u> |
| Accounts payable | 385,940 | 385,940 |
| Due to joint venture companies | 16,692 | 16,692 |
| Total current | <u>402,632</u> | <u>402,632</u> |
| Total financial liabilities | <u>26,270,235</u> | <u>26,270,235</u> |

Fair Value of Financial Instruments

The fair value of available-for-sale investments are derived from quoted market prices in an active market. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows quoted by the respective swap counter parties. The fair value of other financial instruments approximates their carrying value.

Fair Value Hierarchy

As at June 30, the Group held the following financial instruments measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data.

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|-----------|---------|-----------|
| June 30, 2015: | | | | |
| Financial assets measured at fair value: | | | | |
| Available-for-sale investments | 152,898 | - | - | 152,898 |
| Financial liabilities measured at fair value: | | | | |
| Interest rate swaps used for hedging | - | 3,297,940 | - | 3,297,940 |
| December 31, 2014: | | | | |
| Financial assets measured at fair value: | | | | |
| Available-for-sale investments | 177,293 | - | - | 177,293 |
| Financial liabilities measured at fair value: | | | | |
| Interest rate swaps used for hedging | - | 3,627,748 | - | 3,627,748 |

14. Commitments and Contingencies:

(A) Swap Commitments:

The Group has entered into several interest rate swap contracts in respect of interest payable on the variable interest rate bearing loans.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

14. Commitments and Contingencies (continued):

(B) Guarantees and Letter of Credit:

(i) Cross Guarantees

The Company has issued cross guarantees to the various banks with regard to loans and interest rate swaps.

(ii) Bank Guarantees at June 30, 2015 amounted to QR 0.95 million (2014: QR 0.95 million).

(iii) Letters of Credits & Guarantees at June 30, 2015 amounted to QR 189.2 million (2014: QR 163.9 million).

(C) Time Charter:

The Group entered into various time charter agreements with two time charterer parties for the time charter of its vessels for an initial term of approximately 25 years from delivery date of each vessel with an option to renew.

(D) Tax Contingency:

One of the joint ventures of the Company was the lessee under finance lease arrangements for its LNG carriers. Lease payments under the lease arrangements were based on certain tax and financial assumptions at the commencement of the leases and subsequently adjusted to maintain its agreed after-tax margin. The Company terminated the Leases on December 22, 2014. However, the Company still has an obligation to the lessor to maintain the lessor's agreed after-tax margin from the commencement of the lease to the lease termination date. The joint venture believes that the matter with the tax authorities is at a stage of First Tribunal and taxing authority would not be successful in this matter. If the tax authorities is successful, the joint venture could be subject to additional costs. The Company estimates its share of the potential exposure of these additional costs to be QR 92.85 million.

15. Critical Accounting Judgments and Key Sources of Estimation Uncertainty:

15.1 Critical judgment in applying the Group's Accounting Policies

In application of the Group's accounting policies, management is required to make certain judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The associated assumptions are based on factors that are considered to be relevant at the time of preparing these interim condensed consolidated financial statements. Actual results may differ from these estimates. The underlying assumptions are reviewed on an ongoing basis.

Hedge effectiveness

Management reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The hedge was found to be highly effective. As a result, the fair value of the derivative is recorded in equity under hedging reserve.

Depreciation of Vessels

The depreciable cost (cost minus estimated salvage value) of vessels is depreciated over the estimated useful life, which is based on management's expectation of the usage of the asset, expected physical wear and tear, and the dry docking and repairs and maintenance program.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015
(Amounts expressed in thousands of Qatari Riyals)

15. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued):

15.2 Key sources of estimation uncertainty

In the process of preparing these interim condensed consolidated financial statements, the management has made use of certain key assumptions that may have an impact on the current reported results.

Results of operations from joint venture entities

The Company uses the equity method of accounting to account for its joint ventures. Due to time constraints, the financial information of the joint ventures included in these interim condensed consolidated financial statements is based on the management accounts of these joint ventures for the six month period ended **June 30, 2015**.

The share of profits and the share of changes in fair value of cash flow hedging derivatives from the investments in joint ventures considered for the six month period ended **June 30, 2015** amounted to **QR 231 million** and **QR 20.5 million** respectively (2014: QR 197 million and QR 21.1 million loss).