

ADNOC GAS PLC (AG)
(FORMERLY ADNOC GAS LTD.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 8 DECEMBER 2022
(DATE OF INCORPORATION) TO 30 JUNE 2023

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

**Review report and interim condensed consolidated financial statements
for the period from 8 December 2022 (date of incorporation) to 30 June 2023**

	Pages
Report on review of interim condensed consolidated financial information	1
Interim condensed consolidated statement of profit or loss and other comprehensive income	2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5
Notes to the interim condensed consolidated financial statements	6 - 50

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF ADNOC GAS PLC (FORMERLY ADNOC GAS LTD.)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of ADNOC Gas PLC (formerly ADNOC Gas Ltd.) (the “Company”) and its subsidiaries (together referred to as the “Group”) as at 30 June 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 8 December 2022 (date of incorporation) to 30 June 2023. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34 ‘*Interim Financial Reporting*’ as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

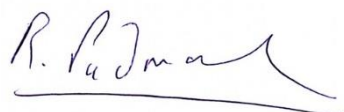
Scope of review

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 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34 ‘*Interim Financial Reporting*’.

Deloitte & Touche (M.E.) LLP



Rama Padmanabha Acharya
04 August 2023
Abu Dhabi
United Arab Emirates

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 8 December 2022 (date of incorporation) to 30 June 2023




		<i>For the three-month period ended 30 June 2023 USD'000</i>	<i>For the period from 8 December 2022 to 30 June 2023 USD'000</i>
	<i>Notes</i>		
Revenue	3	4,059,205	8,162,920
Gas costs:			
- Minimum price	4, 16	(868,902)	(1,595,787)
- Profit sharing	4, 16	(1,602,381)	(3,283,387)
- Fuel gas payment	4, 16	(47,545)	(88,888)
Other operating income	5, 16	282,737	528,714
Employee costs		(237,646)	(418,038)
Depreciation and amortization		(257,181)	(511,517)
Inventory consumption		(18,309)	(39,482)
Other operating costs		(45,707)	(103,880)
General and administration expenses		(7,981)	(38,211)
Share of operating costs in equity accounted investee	11	(64,619)	(129,120)
Share of results of equity accounted investee	11	140,299	229,445
Operating profit		1,331,970	2,712,769
Finance income		16,929	19,432
Finance costs		(73,135)	(111,441)
Profit before tax for the period		1,275,764	2,620,760
Current income tax expense	6	(316,981)	(690,638)
Deferred tax credit	6	24,874	328,750
Profit and total comprehensive income for the period		983,657	2,258,872
Earnings per share:			
Basic (USD)	7	0.013	0.034

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 USD '000
Assets		
Non-current assets		
Property, plant and equipment	8	20,031,670
Intangible assets	9	94,433
Right-of-use assets	10	37,404
Investment in equity accounted investees	11	1,239,885
Deferred tax assets	6	469,671
Total non-current assets		21,873,063
Current assets		
Inventories	12	158,409
Trade receivables	13	152,214
Prepayments and other receivables	14	144,646
Contract assets	15	1,270,128
Amounts due from related parties	16	91,767
Cash and cash equivalents	17	3,688,700
Total current assets		5,505,864
Total assets		27,378,927
Equity and liabilities		
Equity		
Share capital	18	19,187,855
Retained earnings		2,258,872
Total equity		21,446,727
Non-current liabilities		
Lease liabilities	10, 16	27,830
Decommissioning provision	19	2,205,783
Total non-current liabilities		2,233,613
Current liabilities		
Shareholder loans	16, 20	1,350,000
Trade and other payables	21	632,713
Amounts due to related parties	16	1,623,633
Lease liabilities	10, 16	9,056
Income tax payable	6, 16	83,185
Total current liabilities		3,698,587
Total liabilities		5,932,200
Total equity and liabilities		27,378,927
		
H.E. Dr. Sultan Ahmed Al Jaber Chairman	Ahmed Mohamed Alebri Acting CEO	Peter Van Driel CFO

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 8 December 2022 (date of incorporation) to 30 June 2023

	<i>Share capital USD '000</i>	<i>Retained earnings USD '000</i>	<i>Total equity USD '000</i>
Balance at incorporation	50	-	50
Additional shares issued upon Group Reorganisation (note 1)	19,187,805	-	19,187,805
Profit and total comprehensive income for the period	-	2,258,872	2,258,872
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2023	19,187,855	2,258,872	21,446,727
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

For the period from 8 December 2022 (date of incorporation) to 30 June 2023

		<i>For the period from 8 December 2022 to 30 June 2023 USD '000</i>
	<i>Notes</i>	
OPERATING ACTIVITIES		
Profits after tax for the period		2,258,872
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	8	495,892
Depreciation on right-of-use assets	10	4,107
Amortisation of intangible assets	9	11,518
Allowance for slow moving and obsolete inventories	12	11,465
Share of results of equity accounted investees	11	(229,445)
Share of operating costs of equity accounted investees	11	129,120
Deferred tax credit	6	(328,750)
Current income tax expense	6	690,638
Finance income		(19,432)
Finance costs		111,441
Net cash flows from operating activities before changes in working capital		3,135,426
Changes in working capital:		
Increase in inventories		(46,304)
Increase in trade receivables		(1,341,942)
Increase in prepayments and other receivables		(144,646)
Increase in amounts due from related parties		(24,306)
Increase in trade and other payables		122,228
Increase in amounts due to related parties		1,345,690
Cash flows from operating activities		3,046,146
Taxes paid	6	(607,453)
Net cash flows generated from operating activities		2,438,693
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment		(307,276)
Dividends received		167,147
Finance income		19,432
Net cash flows used in investing activities		(120,697)
FINANCING ACTIVITIES		
Shareholder loans	20	1,350,000
Share capital	18	50
Repayment of lease liabilities	10	(9,021)
Finance costs paid		(56,865)
Net cash flows generated from financing activities		1,284,164
NET INCREASE IN CASH		3,602,160
Cash and cash equivalents arising on Group Reorganisation (note 1)		86,540
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	17	3,688,700
Non-cash transactions:		
Refer note 1 on Group Reorganisation		

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023

1 GENERAL INFORMATION

ADNOC Gas Ltd. (“AG” “the Company”) was incorporated on 8 December 2022 in the Abu Dhabi Global Market as a private company limited by shares pursuant to Abu Dhabi Global Market Companies (Amendment No. 1) Regulations 2020. Its registered office is at Floor, 28, Al Sarab Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

At the date of incorporation, the Company was a wholly-owned subsidiary of Abu Dhabi National Oil Company (ADNOC) P.J.S.C. (“ADNOC”). The initial share capital of the Company comprised of 50 thousand shares of USD 1 each and was fully paid.

The principal objective of the Company is to perform activities of holding companies. The principal activities of the subsidiaries are processing of associated and non-associated gas from onshore oil and gas productions and transmission of related products, marketing and promotion for natural gas, investment in oil and natural gas projects, operation and maintenance services of oil and gas production facilities and supplying of industrial gases to the oil and gas industry.

On 21 December 2022, the Company entered into agreements for the transfer of shares of ADNOC Gas Facilities LLC (“AGF”) and ADNOC Gas Operations and Marketing LLC (“AGO&M”) wherein ADNOC transferred 100% of its holding in these entities to the Company for nil consideration. Both these subsidiaries had a share capital of 100 shares of AED 10 thousand (USD 2,723) each.

ADNOC historically conducted its gas processing and liquefied natural gas operations:

- a) on a sole risk basis (“ASR”);
- b) through its interest in two Joint Ventures (“JVs”) namely Abu Dhabi Gas Industries Limited (ADNOC Gas Processing) (“AGP JV”) and Abu Dhabi Gas Liquefaction Company Limited (ADNOC LNG) (“ALNG JV”); and
- c) through a wholly owned subsidiary, namely ADNOC Industrial Gases Company Limited (“AIG”).

ADNOC transferred its ownership interests in the above-mentioned operations, JVs and AIG, with effect from 1 January 2023 to AGF. This transfer is hereafter referred to as the “Group Reorganisation”.

The Group Reorganisation was affected pursuant to the following agreements:

- a) ASR assets that were reflected within the ADNOC financial records through the Intra-Group Asset Transfer Agreement (“ASR Asset Transfer Agreement”);
- b) Activities carried out by joint ventures on behalf of ADNOC for the ASR assets reflected in the ADNOC ASR financial statements:
 - Abu Dhabi Gas Industries Limited (ADNOC Gas Processing) – Sole Risk Operations (“AGP ASR”).
 - Abu Dhabi Gas Liquefaction Company Limited (ADNOC LNG) – Sole Risk Operations (“ALNG ASR”).
 - ADNOC Industrial Gases Company Limited - Sole Risk Operations (“AIG ASR”), through the ASR Asset Transfer Agreement.
- c) Joint venture interest of 68 percent in AGP JV through the AGP Participation Interest Transfer Agreement;
- d) Joint venture interest of 70 percent in ALNG JV through the ALNG Share Transfer Agreement; and
- e) AIG, through the AIG Share Transfer Agreement.

together referred to as the “**Operations**”.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

1 GENERAL INFORMATION continued

As a result, following completion of the Group Reorganisation, AGF acquired ownership of the Operations with effect from 1 January 2023.

Pursuant to the Project Wisdom Capitalisation Agreement entered between ADNOC, the Company and AGF effective 1 January 2023, in consideration for the transfer by ADNOC of all its interests in the Operations, AGF issued and allotted shares in AGF to the Company. Consequently, the Company issued and allotted 19,187,805 thousand ordinary shares at par value of USD 1 per share in the Company to ADNOC, following which ADNOC continued to hold, immediately prior to listing, 100% of the total issued and outstanding share capital of the Company.

The aforementioned transfer of the interest in the Operations is a common control transaction as the Operations are continued to be controlled by ADNOC before and after the Group Reorganisation.

Therefore, the Group Reorganisation is considered to be outside the scope of IFRS 3 *Business Combinations*. On completion of the Group Reorganisation, the Group has applied the book value accounting.

Accordingly, for the purpose of these Interim Condensed Consolidated Financial Statements:

- The assets and liabilities of the Operations (including investment in equity accounted investees) are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be recognised under the acquisition method.
- No goodwill is recognised as a result of the combination. Any difference between the consideration transferred and the acquired net assets is reflected within equity.
- The interim condensed consolidated statement of profit or loss and other comprehensive income reflects the results of the Operations from the date of transfer.

Additionally, effective 1 January 2023, ADNOC and AGF entered into the following agreements:

- Gas Supply and Payment Agreement
- Marketing and Transportation Services Agreement
- Sulphur Sales and Marketing Agreement
- Pipelines Use and Operation Agreement
- Re-injection Gas Supply Agreement
- Transitional Support Services Agreement

together referred to as the “Group Reorganisation Agreements” to carry out the operations and trading activities of AGF.

In connection with the Group Reorganisation, AGF entered a fiscal arrangement (the “Fiscal Arrangement”) with Abu Dhabi Supreme Council for Financial and Economic Affairs effective 1 January 2023, setting out the fiscal regime applicable to the Operations.

These Interim Condensed Consolidated Financial Statements incorporate the impact of the Group Reorganisation, the Group Reorganisation Agreements and the Fiscal Arrangement.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

1 GENERAL INFORMATION continued

The following table summarises the book value of the assets and liabilities transferred to AGF at the date of the Reorganisation under Intra-Group Asset Transfer Agreement and various Share / Participation Interest Transfer Agreements (refer note above) with effect from 1 January 2023, Project Wisdom – Notice for Closing Payment under Capitalisation Agreement dated 31 December 2022 and Project Wisdom – Notice in respect of Adjustment Consideration under Capitalisation Agreement dated 1 February 2023:

	AIG	AIG	ALNG	ALNG	AGP JV	AGP ASR	Totals
	USD'000	ASR	ASR	JV	JV	ASR	USD'000
		USD'000	USD'000	USD'000	USD'000	USD'000	
Assets							
Property, plant and equipment and intangible assets (notes 8 and 9)	46,069	13,393	2,764,143	-	-	16,609,892	19,433,497
Decommissioning assets (note 8)	6,563	20,766	2,747	-	-	804,135	834,211
Right-to-use assets (note 10)	300	1,170	-	-	-	40,808	42,278
Investments in equity accounted investees* (note 11)	-	-	-	879,893	381,030	-	1,260,923
Deferred tax assets (note 6)	-	-	-	101,587	39,334	-	140,921
Inventories	732	1,598	6,495	-	-	114,745	123,570
Trade and other receivables	822	9,844	-	-	-	69,734	80,400
Amount due from related parties	10,566	6,020	-	-	-	93,062	109,648
Cash and bank balances	14,078	68,471	287	-	-	3,704	86,540
Totals assets	79,130	121,262	2,773,672	981,480	420,364	17,736,080	22,111,988
Liabilities							
Decommissioning liabilities (note 19)	6,415	36,924	100,640	314,747	145,119	1,548,138	2,151,983
Lease liabilities (note 10)	323	1,170	-	-	-	40,808	42,301
Trade and other payables	1,886	15,352	-	-	-	434,718	451,956
Amount due to related parties	5,260	15,666	144,055	-	-	112,962	277,943
Totals liabilities	13,884	69,112	244,695	314,747	145,119	2,136,626	2,924,183
Net assets acquired on Group Reorganisation	65,246	52,150	2,528,977	666,733	275,245	15,599,454	19,187,805

* includes decommissioning assets amounting to USD 133,995 thousand and USD 76,182 thousand relating to ALNG JV and AGP JV respectively.

By a written resolution passed by the Sole Shareholder (ADNOC) on 1 February 2023, it was resolved that the Company be re-registered as a public company limited by shares in the Abu Dhabi Global Market (ADGM) by the name of “ADNOC Gas PLC”. The re-registration took place on 4 February 2023.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

1 GENERAL INFORMATION continued

At a general meeting held on 10 February 2023, ADNOC resolved, amongst other things, that: (i) each ordinary share of the Company with a nominal value of USD 1 should be sub-divided into 4 shares with a nominal value of USD 0.25 each (so that the Company's total issued share capital became USD 19,187,855 thousand divided into 76,751,422 thousand shares with a nominal value of USD 0.25 each).

Pursuant to the resolution of Shareholder, the Company was listed on Abu Dhabi Securities Exchange whereby 10% of its shares were offered in an Initial Public Offering ("IPO"). As of the reporting date, ADNOC holds 90% of the issued share capital of the Company while remaining 10% is held by institutional investors and general public.

These are the first set of interim condensed consolidated financial statements of the Company and accordingly no comparative information is presented.

Details of the Company's subsidiaries as at 30 June 2023 are as follows:

Name of subsidiaries	Ownership interest	Country of incorporation	Principal activities
ADNOC Gas Facilities – Sole Proprietorship – L.L.C. ("AGF")	100%	U.A.E.	To own Gas production, liquefaction and processing facilities to process, manufacture, supply, transport, trade, store, ship, market and distribute Gas.
ADNOC Gas Operations and Marketing - L.L.C. ("AGO&M")	100%	U.A.E.	To operate and maintain Gas production, liquefaction and processing facilities, in addition to the transmission, shipping, storage, distribution and infrastructure networks and other activities associated with its objectives.
ADNOC Industrial Gases Company Limited ("AIG")	100%	U.A.E.	To provide industrial gases to the oil and gas industry.

The Company together with its subsidiaries is referred to as the "Group".

Details of the Company's associates as at 30 June 2023 are as follows:

Name of associates	Ownership interest	Country of incorporation	Principal activities
Abu Dhabi Gas Industries Limited (ADNOC Gas Processing) ("AGP JV")	68%	U.A.E.	Processing of associated gas produced from various onshore oil fields in the Emirate of Abu Dhabi.
Abu Dhabi Gas Liquefaction Company Limited ("ALNG JV")	70%	U.A.E.	Fuel oil and refinery gases production, natural gas liquefaction and chemical elements manufacturing. The Company is engaged in the processing of natural gas in order to produce and sell liquefied natural gas (LNG), liquefied petroleum gas (LPG) and other associated products.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting” and also comply with the applicable requirements of the laws in the UAE. The interim condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements. In addition, results for the period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial period ending 31 December 2023.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in US Dollar (“USD”), which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these interim condensed consolidated financial statements is determined on such a basis.

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 inputs are unobservable inputs for the asset or liability that are derived from valuation techniques.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.1 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date when the Company gains control until the date when the Company ceases to control the subsidiary.

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Profit or loss and each component of other comprehensive income (OCI) are attributed to equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.1 Basis of consolidation continued

A change in the ownership interest of a subsidiary without a loss of control, is accounted for as equity transaction. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or joint venture.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements:

Re-injection gas

Re-injection gas is a derived component from the original feed stock sold by ADNOC to the Group under the Gas Supply and Payment Agreement which is purchased by ADNOC. Accordingly, to that extent the control does not pass on to the Group. Hence, the Group recognises other operating income on net basis i.e., income from sale of re-injection gas to ADNOC less feed stock cost for the same. There is significant judgement made by management on the assessment of what constitutes the control.

Interests in joint arrangements and associates

Judgement is required to determine the level of control the Group holds in another entity, which requires an assessment of the relevant activities and when the decisions in relation to those activities require the unanimous consent of the parties sharing the control. There is significant judgement made by management on the assessment of what constitutes the relevant activities and control.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.2 Significant accounting judgments, estimates and assumptions continued

Judgements continued

Interests in joint arrangements and associates continued

Joint control exists only when, there is a contractual agreement to share the control of an arrangement, when decisions about the relevant activities require the unanimous consent of the parties sharing control. In a joint arrangement, no single party controls the arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A party with joint control of an arrangement may prevent any of the other parties, or a group of the parties, from controlling the arrangement. A contractual arrangement may require a minimum proportion of the voting rights to make decisions. Key judgement is applied when that minimum can be achieved by more than one combination of the parties agreeing; in such a scenario, the arrangement is not a joint arrangement unless it specifies which parties (or combination of parties) are required to agree unanimously to decisions about the relevant activities of the arrangement.

If the Company obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If the Company neither controls nor jointly controls the entity, it may be in a position to exercise significant influence over the entity, which is then classified as an associate. Accordingly, the Group considers its investments in ALNG JV and AGP JV as investments in associates.

Decommissioning

Decommissioning liability is recognised when the Group establishes that it has a present obligation (legal or constructive) as a result of a past event (the obligating event), payment is probable ('more likely than not'), and the amount can be estimated reliably.

In determining the obligation, the Group's management has concluded that it has constructive obligation for decommissioning relating to all its property, plant and equipment. This key judgement is on the premise that the Group is expected to continue to operate and benefit from all the property, plant and equipment up to the end of their respective useful economic life. The decommissioning liability is reduced by amount of contribution from a third party shareholder (in a Group operation) to the extent they have a legal obligation to settle the liability.

Further, the Group recognises a deferred tax asset relating to decommissioning liability on the basis it is deemed to be recoverable in future.

Land lease

Leases are entered into with ADNOC which contain clauses for automatic annual renewal of the lease term, unless either party provides a notice to not extend the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain to be not terminated. Management considers all facts and circumstances that create an economic incentive to not terminate the lease to determine the appropriate lease terms.

During the period ended 30 June 2023, no significant events or significant change in circumstances occurred that caused management to reassess the lease term of such contracts.

Determination of principal status

The Group measures its revenue at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty, as the Group has determined that it is acting as principal in the transactions. The determination of whether the Group is principal, or agent requires judgement. In making this judgement, the Group evaluates whether it controls each specified good or service before that good or service is transferred to the customer.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.2 Significant accounting judgments, estimates and assumptions continued

Judgements continued

Galaxy pipeline

The Group entered into “Pipelines Use and Operation Agreement” with ADNOC. The Group has the right to use, manage and operate the pipelines. However, ownership interest in pipelines is not transferred to the Group. Further, the Group makes tariff payments to ADNOC for use of pipelines based on quantum of molecules flowing through these pipelines. Tariff payments will have a cap based on baseline estimates and do not include any fixed payment or minimum commitments. Tariff is computed based on the unit of molecules and is not dependent on any index or rate.

No lease liability is recognised in the absence of fixed payments, index or rate based variable payments. Instead, the Group recognised a charge for usage of Gas pipelines which is based on actual quantum of molecules flowing through pipelines. There is significant judgement made by management on the assessment of what constitutes control.

Taxes

The amount of income tax payable is determined as per the agreement between the Group and the Supreme Council for Financial and Economic Affairs (“SCFAEA”).

Deferred tax assets are recognised against differences between tax basis and accounting basis of recording for depreciation on decommissioning assets, charge for decommissioning provision and charge for end of service benefits to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Contingent liabilities

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Segment information

For management purpose, the Group is organised as one business unit based on the products and services and management has concluded that it has only one reportable segment. The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker (“CODM”). The Board of Directors, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CODM that makes strategic decisions. The financial information reviewed by the CODM is based on the IFRS financial information for the Group.

Cash equivalents

The Group entered into a Cash Pooling and Virtual Accounts Agreement (“cash pooling arrangement”) with ADNOC. Under the cash pooling arrangement, surplus cash is transferred to and held by ADNOC in a designated bank account on which interest is earned. The surplus cash is available on demand to the Group to meet its obligations as it has legal title to the cash balance at any point in time. The assessment of ‘insignificant risk of change in value’ involves exercise of significant judgement. Based on the assessment, management has concluded that these balances are subject to an insignificant risk of changes in value, thereby meeting the definition of ‘cash equivalents’. Accordingly, these balances have been presented under ‘cash and cash equivalents’.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.2 Significant accounting judgments, estimates and assumptions continued

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the interim condensed consolidated financial statements when they occur.

Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values of the property, plant and equipment and intangible assets based on the historical pattern of useful lives and general standards in the industry. The useful lives and residual values are reviewed for reasonableness by management on an annual basis.

Useful lives of right-of-use assets

The Group's management determines the estimated useful lives of its right-of-use assets for calculating depreciation. The cost of right-of-use assets are depreciated over the estimated useful lives of the assets, which is based on shorter of the lease term and the estimated useful lives of the assets. The Group reviews the estimated useful lives of right-of-use assets at the end of each annual reporting period. Any change in the lease term or pattern of consumption of these assets are adjusted prospectively.

Deferred tax

The terms of the fiscal arrangement provide that decommissioning costs or costs and expense for overhaul at gas processing, production and handling facilities are deductible from income in the year in which such expenditure is actually incurred. The interim condensed consolidated financial statements include decommissioning liabilities (including accretion from unwinding of discount) and capitalisation of decommissioning costs (including depreciation). Therefore, temporary differences arise between carrying amount of decommissioning provision and costs capitalised in the balance sheet and their tax base. For the purpose of computing deferred tax, tax rate at the time of reversal of temporary differences needs to be considered, however, the estimated weighted average tax rate as calculated based on volumes and profitability during the relevant period is considered based on management's best estimate.

Impairment of non-financial assets

Property, plant and equipment, intangible assets and right-of-used assets are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication of impairment. Based on the assessment performed, management has not identified any impairment indicators in the current period for property, plant and equipment, intangible assets and right-of-use assets.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

Provision for slow-moving or obsolete inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their aging and accordingly for each category, a provision is recognised for obsolete and slow-moving inventories.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.2 Significant accounting judgments, estimates and assumptions continued

Estimates and assumptions continued

Provision for expected credit losses (ECL) of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the oil and gas sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Decommissioning costs estimate

Decommissioning costs resulting from legal or constructive obligation are recognised based on a reasonable estimate in the period in which the obligation arises. The Group assesses its decommissioning provision at each reporting date.

The decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques or experience at other production sites, cost increases as compared to the inflation rates (2.5%), and changes in discount rates (ranged from 3.2% to 5%). The expected timing, extent and amount of expenditure may also change, for example, in response to changes in gas assets or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

External valuers may be used to assist with the assessment of future decommissioning costs. The involvement of external valuers is determined on a case-by-case basis, taking into account factors such as the expected gross cost or timing of abandonment, and is approved by the Group's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required and are disclosed in note 19.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that, together, significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19, respectively;
- liabilities or equity instruments related to shared-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquired are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Business combinations continued

When a business combination is achieved in stages, the Group's previously held equity interests (including joint operations) in the acquired entity is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period ends as soon as the Group receives the necessary information about the facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

Transactions under common control

A business combination involving entities or business under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination and that control is not transitory.

Transactions giving rise to transfer of interests in entities, which are under the common control of the Shareholders, are accounted for using the pooling of interest method without restatement of comparative information. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of the transferor entity. The components of equity of the acquired entities are added to the same components within Group equity. Any difference between the consideration paid and capital of the acquiree is recognised directly in equity.

Property, plant and equipment

Initial recognition

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Capital / insurance spares are those spares that are critical to the operations and kept in inventory. These insurance spares are included in property, plant and equipment and depreciated over the life of the related asset. Capital / insurance spares are stated at costs less accumulated depreciation and impairment losses, if any.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Property, plant and equipment continued

Initial recognition continued

When a significant part of an item of property, plant and equipment has a different useful life, it is accounted for as a separate component of property, plant and equipment.

Gains and losses, if any, on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

Subsequent recognition

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised and charged to operating expenditure. The costs of the day-to-day servicing of property, plant and equipment are recognised in interim condensed consolidated statement of profit or loss and other comprehensive income.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for intended use. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Land is not depreciated. Depreciation on assets other than land is recognised so as to write off the cost less estimated residual values on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Buildings and infrastructure	3 – 30 years
Plant and machinery	3 – 30 years
Oil and gas properties (pipelines)	20 – 30 years
Fixtures, fittings and office equipment	4 – 10 years
Transportation, storage and terminal	4 – 20 years

All other assets are depreciated over a period equal to their estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is recognised on idle assets unless the asset is fully depreciated.

Capital work-in-progress

Property, plant and equipment in the course of construction for production, supply of goods or services, or for administrative purposes are carried at cost, less any recognised impairment loss. Cost also includes overheads and, for qualifying assets, borrowing costs capitalised where applicable. Upon the completion of construction, the costs are transferred to the respective class of asset. Depreciation of these assets is made on the same basis as other respective assets, commencing when the assets are ready for their intended use. No depreciation is charged on capital work-in-progress.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Property, plant and equipment continued

Major maintenance and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection, turnaround and shutdown costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets represent computer software with estimated useful life of three to five years and is amortised on a straight-line basis.

These are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the profit or loss in the expense category that is consistent with the function of the intangible assets.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Leases continued

Group as a lessee continued

Right-of-use assets

The Group recognises right-of-use assets at the lease commencement date (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities, and it comprises of the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The right-of-use assets are presented as a separate line in the interim condensed consolidated statement of financial position.

Lease liabilities

At the lease commencement date, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments included in the measurement of the lease liabilities comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the lease commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in note 10.

The lease liability is presented as a separate line item in the interim condensed consolidated statement of financial position.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Leases continued

Group as a lessee continued

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The interim condensed consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the interim condensed consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the interim condensed consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Investment in associates and joint ventures continued

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within share of profit/(loss) of an associate and a joint venture in the interim condensed consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average cost method. The cost of finished goods comprises raw materials, consumables, spare parts, direct labour and materials and related overheads (based on normal operating capacity). Cost of inventory includes feedstock minimum gas payment to ADNOC and other directly attributable costs. Profit share payment that represents ADNOC's share of raw gas product earnings are considered to be a variable payment that is dependent on the future activity. Accordingly, the Group excludes such variable payments from the cost of inventory and instead recognises a liability when the condition that triggers the obligation occurs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Provision is made for obsolete / slow moving items where necessary and is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in accounting policy on Revenue from contracts with customers.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Financial instruments continued

i. Financial assets continued

Initial recognition and measurement continued

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the interim condensed consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Financial instruments continued

i. Financial assets continued

Subsequent measurement continued

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the interim condensed consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the interim condensed consolidated statement of financial position at fair value with net changes in fair value recognised in the interim condensed consolidated statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's interim condensed consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Financial instruments continued

i. Financial assets continued

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and amounts due to related parties.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (loans and borrowings).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Financial instruments continued

ii. Financial liabilities continued

Subsequent measurement continued

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the interim condensed consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the interim condensed consolidated statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the interim condensed consolidated statement of profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the interim condensed consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Current versus non-current classification

The Group presents assets and liabilities in the interim condensed consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the interim condensed consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Impairment of non-financial assets continued

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the interim condensed consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The Group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase manufacturing costs. These risks in relation to climate related matters are included as key assumptions where they materially impact the measure of recoverable amount, these assumptions are included in the cash-flow forecasts in assessing value-in-use amounts.

Employees' end of service benefits

(i) Short-term obligation

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period. The accrual relating to annual leave and leave passage is disclosed as a current liability in the interim condensed consolidated statement of financial position.

(ii) Employees' end of service benefits (EOSB)

The liability recognised in the interim condensed consolidated statement of financial position in respect of the defined end of service benefit plan is the present value of the projected defined benefit obligation ("DBO") at the end of the reporting period. The provision for EOSB is calculated by a qualified actuary using the projected unit credit method whilst considering the Group's policy with respect to end of service benefits where it requires the provision to be at least equal to the benefits payable in accordance with the UAE Labour law for their period of service up to the end of the reporting period.

The provision for EOSB is disclosed as a non-current liability.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. Re-measurements are not reclassified to the interim condensed consolidated statement of profit or loss in subsequent periods. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. Payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the UAE Labour law.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Employees' end of service benefits continued

(ii) *Employees' end of service benefits (EOSB) continued*

Net interest expense and other expenses related to defined benefit plans are recognised in the interim condensed consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined EOSB obligation. The Group recognises the following changes in the net defined benefit obligation in the interim condensed consolidated statement of profit or loss within personnel costs:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

(iii) *Pension contributions*

With respect to its UAE national employees, the Company makes pension contributions to the Abu Dhabi Retirement Pensions and Benefits Funds in accordance with the Abu Dhabi Retirement Pensions and Benefits Fund's regulations. With respect to its GCC national employees, the Company makes pension contributions to the pension funds or agencies of their respective countries. Such contributions are charged to operating costs during the employees' period of service.

Accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. For lump sum contracts, project related accruals are based on percentage of completion basis.

For contracts based on performance milestones, project related accruals are recognised to the extent of contractual performance milestone achieved up to the reporting date.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the interim condensed consolidated statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance costs in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Provisions for one-off events (restructuring, environmental clean-up, settlement of a lawsuit) are measured at the most likely amount while the provisions for large populations of events (warranties, customer refunds) are measured at a probability-weighted expected value.

The provisions are reviewed and adjusted at each reporting date, and if outflow is no longer probable, the provision is reversed to income.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Onerous contract

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Contingent liabilities

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

A contingent liability will be recorded as a liability when there is a possible obligation arising from past events whose existence will be confirmed by future events or a present obligation arises from past events but is not probable that an outflow of resources will arise and/or the amount cannot be measured reliably.

Decommissioning liability

Provisions for decommissioning costs are recognised when the Group becomes legally or constructively obliged to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made.

The amount of the obligation is estimated at current prices and in accordance with local conditions and requirements and an equivalent amount is included in the respective class of asset in property, plant and equipment. This is subsequently depreciated or depleted as part of the capital costs of the facility or item of plant. Subsequent to initial recognition, any change, other than unwinding of discount which is recognised in profit or loss, is recognised in property, plant and equipment.

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the interim condensed consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash and cash equivalents

Cash and cash equivalents in the interim condensed consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents consist of balances as defined above.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Revenue from contracts with customers

The Group is in the business of sale of Condensate, Natural Gas, Propane, Butane, Naptha, Reinjection Gas, Sulphur and Ethane. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

For sale of goods, revenue is based on rules for any modes of transport and rules for sea and inland waterway transport established by International Chamber of Commerce (i.e., Incoterms) agreed with the customer, which is taken to be the point in time at which the related control on the goods has been transferred. Revenue from sale of goods is recognised at a point in time upon satisfaction of the performance obligation.

The Group has agreements with various customers for selling its products. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Specifically, the Group has applied a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e., when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Determining transaction price and allocation

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer. Since sale of goods is the only performance obligation, the entire transaction price is allocated to sale of goods.

Determining the timing of satisfaction of performance obligation

The Group recognise revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to customers. An asset is transferred when (or as) the customer obtains control of that asset, which is upon delivery of goods.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Revenue from contracts with customers continued

Principal versus agent considerations

The Group enters into contracts with its customers for supply of goods. The Group determined that it controls the goods before they are transferred to customers, and it has the ability to direct the use of the goods. The following factors indicate that the Group controls the goods before they are being transferred to customers. Therefore, the Group determined that it is a principle in all its revenue arrangements.

- The Group is primarily responsible for fulfilling the promise to provide the specified goods.
- The Group has inventory risk before the specified goods has been transferred to the customers.
- The Group has discretion in establishing the price for the specified goods.

Consideration of significant financing component in a contract

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group concluded that there is no significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of goods to the customer.

Significant financing component

The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Contract balances

Contract Assets

Contract assets primarily relates to the Group's right on consideration for goods and services provided but not billed at the reporting date. Any amount recognised as a contract asset is reflected to trade receivable or receivable from related party at the point at which it is invoiced to the customer.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other income

Other income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Dividend income

Dividend income from investments is recognised when the Group's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Borrowing costs

Borrowing costs include interest on loans and amortisation of transaction costs for loans. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, from the date of incurring of the expenditure relating to the qualifying asset until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are expensed in the period in which they occur.

Offsetting of income and expenses

Items of income and expense shall not be offset except when it reflects the substance of the transaction or when it does not detract, from the ability of users, both to understand the transactions and conditions that have occurred.

Tax

Tax is computed in accordance with relevant fiscal agreements and any communication received from the Abu Dhabi Supreme Council for Financial and Economic Affairs.

Income tax expense /credit comprise of current and deferred tax.

Current and deferred taxes are recognised in the interim condensed consolidated statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the interim condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

2 BASIS OF PREPARATION continued

2.3 Summary of significant accounting policies continued

Cash dividend

The Group recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Group. As per the Articles of Association of the Company, the Company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends. A corresponding amount is recognised directly in equity.

2.4 Standards issued but not yet effective

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

New and revised IFRSs in issue but not yet effective and not early adopted

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

Lease Liability in a sale and leaseback (Amendments to IFRS 16) (effective for annual periods beginning on or after 1 January 2024)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Non-current liabilities with covenants (Amendments to IAS 1) (effective for annual periods beginning on or after 1 January 2024)

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The above stated new standards and amendments are not expected to have any significant impact on the interim condensed consolidated financial statements of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the interim condensed consolidated financial statements of the Group.

Supplier finance arrangements (Amendments to IAS 7 and IFRS 7) (effective for annual periods beginning on or after 1 January 2024)

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

3 Revenue

Set out below is the disaggregation of the Group's revenue by product type from contracts with customers:

Product type	For the three-month period ended 30 June 2023			For the period from 8 December 2022 to 30 June 2023		
	USD'000 Third parties	USD'000 Related parties	USD'000 Total	USD'000 Third parties	USD'000 Related parties	USD'000 Total
NGL products	-	1,648,706	1,648,706	-	3,511,783	3,511,783
Non-NGL products	758,965	315,783	1,074,748	1,439,253	642,805	2,082,058
Others	-	1,335,751	1,335,751	-	2,569,079	2,569,079
Total	758,965	3,300,240	4,059,205	1,439,253	6,723,667	8,162,920

NGL products include Propane, Butane and Paraffinic Naphtha. Non-NGL products include Natural Gas, Ethane and Sulphur. Others include local condensate sales.

4 Gas costs

The Group entered into the Gas Supply and Payment Agreement with ADNOC to procure raw gas and gas from integrated gas resources (together referred to as "feedstock") for its operations. The feedstock is determined through the actual sales volume of the NGL and non-NGL products by taking into account fuel gas cost, minimum gas payment and the profit share components in accordance with the Gas Supply and Payment Agreement with ADNOC. As per the Gas Supply and Payment Agreement, the Group is required to make a quarterly prepayment (based on forecast and invoice issued before the start of the quarter) and then settles it through a true-up (based on actuals) amount calculated at the end of the quarter.

5 Other operating income

This represents net income (revenue amounting to USD 1,029,395 thousand and gas costs amounting to USD 500,681 thousand, resulting in net-off related income amounting to USD 528,714 thousand) from sale of re-injection gas to ADNOC. Re-injection gas is a derived component from the original feedstock sold by ADNOC to the Group under the Gas Supply and Payment Agreement which is repurchased by ADNOC. Accordingly, to that extent the control is not passed on to the Group.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

6 Income tax

The Group is subject to income tax on its taxable profits in accordance with the fiscal arrangement (the “Fiscal Arrangement”) with Abu Dhabi Supreme Council for Financial and Economic Affairs effective 1 January 2023, at the following rates:

NGL products (including export condensate)	55%
Non-NGL products - or each of the first five income tax years (ending on 31 December 2027, the “Tax Holiday Period”)	0%
Non-NGL Products - for each income tax year after the Tax Holiday Period:	
- for Non-NGL Products Taxable Income up to and including USD 1 billion	15%
- for Non-NGL Products Taxable Income in excess of USD 1 billion	35%
Industrial Gases Taxable Income	10%
Net Indirect Corporate Income	<i>at effective tax rate</i>
Condensate (local sales)	0%

Tax charge for the period is as follows:

	For the three-month period ended 30 June 2023 USD'000	For the period from 8 December 2022 to 30 June 2023 USD'000
Current income tax expense	316,981	690,638
Deferred tax credit	(24,874)	(328,750)
	<u>292,107</u>	<u>361,888</u>

Recognised deferred taxes of the Group relates to the tax effects of the following:

	30 June 2023 USD'000
Net temporary differences arising from carrying values of decommissioning liabilities and related assets in excess of their tax base	1,183,647
Deferred tax assets (39.68%)	<u>469,671</u>

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

6 Income tax continued

Movement of deferred tax assets is as follows:

	30 June 2023 USD'000
Balance at incorporation	-
Balance arising on Group Reorganisation (note 1)	140,921
Arising during the period*	328,750
	<u>469,671</u>

* this mainly relates to temporary differences arising from carrying values of decommissioning liabilities and related assets in excess of their tax base for ASR assets under the new fiscal arrangement entered during the period.

The reconciliation of the statutory income tax rate to the effective income tax rate of the Group is as follows:

Estimated effective statutory income tax rate	29.0%
Tax effect of non-deductible expenses and income	(2.7%)
Effect of deferred taxes	(12.5%)
Effective tax rate	<u>13.8%</u>

An amount of USD 607,453 thousand for the period ended 30 June 2023 was paid to the Department of Finance by the Group as per the fiscal agreement with the Supreme Council for Financial and Economic Affairs in the Emirate of Abu Dhabi. As of 30 June 2023, an amount of USD 83,185 thousand is payable to the Department of Finance.

7 Basic and diluted earnings per share

Earnings per share amounts are calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of shares outstanding during the period.

	For the three-month period ended 30 June 2023	For the period from 8 December 2022 to 30 June 2023
Profit attributable to owners of the Company (USD'000)	983,657	2,258,872
Weighted average number of shares in issue ('000)	76,751,422	67,256,635
Earnings per share (USD)	<u>0.013</u>	<u>0.034</u>

There are no dilutive securities, therefore diluted EPS is the same as basic EPS.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

8 Property, plant and equipment

	Buildings and infrastructure USD'000	Plant, machinery and equipment* USD'000	Transportation Storage and Terminals USD'000	Furniture, fixtures and equipment USD'000	Capital work-in- progress USD'000	Total USD'000
Cost						
Balance at incorporation	-	-	-	-	-	-
Balance arising on Group Reorganisation (note 1)	3,266,137	30,271,785	5,852,446	158,905	2,435,162	41,984,435
Transfers from CWIP	483	5,361	-	7,331	(13,175)	-
Transfer to intangible assets (note 9)	-	-	-	-	(3,090)	(3,090)
Additions	-	-	-	-	365,805	365,805
At 30 June 2023	3,266,620	30,277,146	5,852,446	166,236	2,784,702	42,347,150
Accumulated depreciation						
Balance at incorporation	-	-	-	-	-	-
Balance arising on Group Reorganisation (note 1)	1,451,351	17,688,156	2,541,679	138,402	-	21,819,588
Depreciation charge for the period	60,450	312,637	110,499	12,306	-	495,892
At 30 June 2023	1,511,801	18,000,793	2,652,178	150,708	-	22,315,480
Carrying amount						
At 30 June 2023	1,754,819	12,276,353	3,200,268	15,528	2,784,702	20,031,670

* includes decommissioning assets and related depreciation.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

9 Intangible assets

	30 June 2023 USD'000
Cost	
Balance at incorporation	-
Balance arising on Group Reorganisation (note 1)	275,682
Transfer from CWIP (note 8)	3,090
	278,772
Accumulated amortisation	
Balance at incorporation	-
Balance arising on Group Reorganisation (note 1)	172,821
Amortisation charge for the period	11,518
	184,339
Carrying amount	94,433

10 Leases

A. Right-of-use assets

	30 June 2023 USD'000
Balance at incorporation	-
Balance arising on Group Reorganisation (note 1)	42,278
Additions	2,838
Other adjustments	(3,605)
Depreciation charge for the period	(4,107)
	37,404

B. Lease liabilities

Balance at incorporation	-
Balance arising on Group Reorganisation (note 1)	42,301
Additions	2,830
Accretion of interest	776
Payments (note 16)	(9,021)
	36,886
Current	9,056
Non-current	27,830
	36,886

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

11 Investment in equity accounted investees

Following are the details of movement in investments in associates as at 30 June 2023:

	-----30 June 2023----- USD'000		
	AGP JV	ALNG JV	Total
Balance at incorporation	-	-	-
Balance arising on Group Reorganisation * (note 1)	381,030	879,893	1,260,923
Share of results of equity accounted investees	(2,199)	229,445	227,246
Dividends **	-	(248,284)	(248,284)
	<u>378,831</u>	<u>861,054</u>	<u>1,239,885</u>

* includes decommissioning assets amounting to USD 76,182 thousand and USD 133,995 thousand relating to AGP JV and ALNG JV respectively.

** dividends amounting to USD 81,137 thousand were received by ADNOC and are expected to be transferred to the Group in Q3 2023.

A. Abu Dhabi Gas Industries Limited (“ADNOC Gas Processing”, “AGP JV”)

ADNOC Gas Processing is an associate in which the Group has 68% ownership interest. It was formed to undertake the processing of associated gas produced from various onshore oil fields in the Emirate of Abu Dhabi. As per the joint venture agreement, the Shareholders will continue to arrange funding for the JV operations to enable it to meet its liabilities as they fall due. Accordingly, the Group has classified its interest in ADNOC Gas Processing as an associate.

B. Abu Dhabi Gas Liquefaction Company Limited (“ADNOC LNG”, “ALNG JV”)

ADNOC LNG is an associate in which the Group has 70% ownership interest. ALNG JV’s principal activities are fuel oil and refinery gases production, natural gas liquefaction and chemical elements manufacturing. It is engaged in the processing of natural gas in order to produce and sell liquefied natural gas (LNG), liquefied petroleum gas (LPG) and other associated products.

The following tables summarise the financial information of ADNOC Gas Processing and ADNOC LNG as included in their respective financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group’s interest in ADNOC Gas Processing and ADNOC LNG.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

11 Investment in equity accounted investees continued

<i>Summarised interim condensed statement of financial position</i>				-----30 June 2023----- USD'000		
			AGP JV	ALNG JV	Total	
Non-current assets			572,882	1,385,659	1,958,541	
Current assets			137,817	1,072,610	1,210,427	
Non-current liabilities			(164,754)	(586,302)	(751,056)	
Current liabilities			(97,639)	(825,240)	(922,879)	
Net assets			448,306	1,046,727	1,495,033	
Group's holding			68%	70%		
Group's share of net assets			304,848	732,709	1,037,557	
Decommissioning assets			73,983	128,345	202,328	
Investment in equity accounted investees			378,831	861,054	1,239,885	
Cash and cash equivalents included in current assets			2,733	489,662	492,395	
<i>Summarised interim condensed statement of profit or loss</i>	For the three-month period ended 30 June 2023 -----USD'000-----			For the period from 1 January 2023 to 30 June 2023 -----USD'000-----		
	AGP JV	ALNG JV	Total	AGP JV	ALNG JV	Total
Revenue	-	1,103,951	1,103,951	-	2,015,721	2,015,721
Operating costs	-	(570,384)	(570,384)	-	(1,081,194)	(1,081,194)
General and administrative expenses	(79,910)	(146,685)	(226,595)	(160,608)	(224,129)	(384,737)
Depreciation	(14,088)	(23,906)	(37,994)	(27,486)	(47,814)	(75,300)
Provision for slow moving and obsolete inventories	(781)	227	(554)	(1,524)	(411)	(1,935)
Finance income	2,968	6,083	9,051	2,968	9,715	12,683
Income tax expense	-	(196,583)	(196,583)	-	(365,110)	(365,110)
Deferred tax expense	-	(2,687)	(2,687)	-	(5,374)	(5,374)
Net processing fees for the period – charged to Shareholders	91,811	-	91,811	186,650	-	186,650
Profit and total comprehensive income (100%)	-	170,016	170,016	-	301,404	301,404
Group's holding	68%	70%		68%	70%	
Group's share of profit	-	119,012	119,012	-	210,983	210,983
Depreciation of decommissioning assets	(2,199)	(2,826)	(5,025)	(2,199)	(5,651)	(7,850)
Impact of accounting policies alignment	-	24,113	24,113	-	24,113	24,113
Share of results of equity accounted investees	(2,199)	140,299	138,100	(2,199)	229,445	227,246

The Group's share of operating costs amounting to USD 129,120 thousand incurred by AGP JV, where the Group is entitled to lift its share of production, is directly routed through the cash call account.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

12 Inventories

	30 June 2023 USD'000
Finished goods	36,150
Spare parts	313,976
	<hr/> 350,126
Allowance for slow moving and obsolete inventories	(191,717)
	<hr/> 158,409

Allowance for slow moving and obsolete inventories

Movement in the allowance for slow moving and obsolete inventories is as follows:

Balance at incorporation	-
Balance arising on Group Reorganisation (note 1)	180,252
Charge for the period	11,465
	<hr/> 191,717

13 Trade receivables

	30 June 2023 USD'000
Trade receivables from third parties	152,214

The average credit period on trade receivables is 30 days. No interest is charged on trade receivables.

The Group has adopted a policy of dealing with only creditworthy counterparties. Adequate credit assessment is made before accepting an order for sale of goods or rendering of services from any counterparty. Of the trade receivables at the end of the reporting period, an amount of USD 117,906 thousand representing 77.46% of the trade receivables is due from two customers.

Ageing of trade receivables is as follows:

	30 June 2023 USD'000
Not past due	137,796
Past due but not impaired (0-30 days)	14,418
	<hr/> 152,214

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

13 Trade receivables continued

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting period. Based on this assessment, management believes that no provision for expected credit loss is required against trade receivables.

14 Prepayments and other receivables

	30 June 2023 USD'000
Advances to suppliers	42,097
Other prepayments	31,216
Other receivables*	71,333
	<hr/>
	144,646
	<hr/>

* net-off allowance for expected credit losses of USD 5,077 thousand.

15 Contract assets

Contract assets primarily relate to the Group's right on consideration for goods and services provided but not billed at the reporting date. Any amount recognised as a contract asset is reflected to trade receivable or receivable from related party at the point at which it is invoiced to the customer. This includes Shareholder and other related parties balances amounting to USD 167,852 thousand and USD 829,819 thousand respectively (note 16).

16 Transactions and balances with related parties

Related parties, as defined in International Accounting Standard 24: *Related Party Disclosure*, comprise the majority shareholder, directors and key management personal of the Company and entities in which they have the ability to control or exercise significant influence.

The Group has elected to use the exemption under IAS 24 for Government related entities on disclosing transactions and related outstanding balances with government related parties owned by the Government of Abu Dhabi other than ADNOC and entities it owns and controls. The Group avails, in the normal course of business, various goods or services (utilities, etc.) from entities owned and controlled by the Government of Abu Dhabi. Further, the Group also sells its products to related parties owned by the Government of Abu Dhabi.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

16 Transactions and balances with related parties continued

Balances with related parties generally arise from commercial transactions in the normal course of business at agreed terms. Following are the significant balances and transactions with these related parties:

	30 June 2023 USD'000
<i>Amounts due from related parties</i>	
ADNOC affiliates*	91,767
<i>Amounts due to related parties</i>	
Shareholder (ADNOC)	1,445,816
ADNOC affiliates	177,817
	1,623,633
<i>Shareholder loans from ADNOC (note 20)</i>	1,350,000
<i>Lease liabilities relating to lands leased from ADNOC (note 10)</i>	36,886
<i>Contract assets (note 15)</i>	997,671
<i>Income tax payable (note 6)</i>	83,185

Employee costs are recharged by the associates and accordingly employees related liabilities are recorded within respective associates' financial statements.

* net-off allowance for expected credit losses of USD 9,840 thousand.

Transactions with related parties

	For the three-month period ended 30 June 2023 USD'000	For the period from 8 December 2022 to 30 June 2023 USD'000
<i>Shareholder</i>		
Sale of goods (note 3)	82,462	1,663,985
Gas costs (note 4)	2,518,828	4,968,062
Other operating income (note 5)	282,737	528,714
Finance costs (note 20)	20,800	56,865
Payments of lease liabilities relating to lands leased from ADNOC (note 10)	2,742	9,021
<i>Other related parties</i>		
Sale of goods (note 3)	3,217,778	5,059,682
Current income tax expense (note 6)	316,981	690,638
<i>Compensation of key management personnel</i>		
Short-term benefits	161	2,164
Long-term benefits	5	77

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

17 Cash and cash equivalents

	30 June 2023 USD'000
Cash on hand	247
Cash held with bank *	3,688,453
	<hr/>
Cash and cash equivalents	3,688,700
	<hr/>

* On 20 January 2023, the Group entered into a Cash Pooling and Virtual Accounts Agreement (“cash pooling arrangement”) with ADNOC. Under the cash pooling arrangement, surplus cash is transferred to and held by ADNOC in a designated bank account on which interest is earned. The surplus cash is available on demand to the Group to meet its obligations.

18 Share capital

In accordance with the Article of Association of the Company which became effective on 8 December 2022, the Company issued 50 thousand ordinary shares of USD 1 each on its incorporation to ADNOC. By virtue of the Project Wisdom Capitalisation Agreement dated 31 December 2022 and Project Wisdom – Notice in respect of Adjustment Consideration under Capitalisation Agreement dated 1 February 2023, the Company issued further shares increasing its share capital to USD 19,187,855 thousands divided into 19,187,855 thousand shares, each valued at USD 1 (note 1). At a general meeting held on 10 February 2023, it was resolved that each ordinary share of the Company with a nominal value of USD 1 each should be sub-divided into 4 shares with a nominal value of USD 0.25 each (so that the Company’s total issued share capital became USD 19,187,855 thousand divided into 76,751,422 thousand shares with a nominal value of USD 0.25 each).

19 Decommissioning provision

The decommissioning provision comprises the future cost of decommissioning the Group’s plant and equipment at the end of their economic useful lives. The economic useful life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices, group’s strategic objectives and the future production profiles of the respective assets. In addition, the costs of decommissioning are subject to inflationary / deflationary pressures in the cost of third party service provision. The amount and timing of settlement in respect of these provisions are uncertain and dependent on various factors that are not always within management’s control.

	30 June 2023 USD'000
Balance at incorporation	-
Balance arising on Group Reorganisation * (note 1)	2,151,983
Accretion expense	53,800
	<hr/>
	2,205,783
	<hr/>

The discount rate used in the calculation of the provision as at 30 June 2023 is in the range of 3.2% - 5%.

* includes USD 145,119 thousand and USD 314,747 thousand for decommissioning provision relating to AGP JV and ALNG JV respectively.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

20 Shareholder loans

	-----30 June 2023-----		
	USD'000		
	RCF	TLA	TOTAL
Total facilities	2,000,000	4,000,000	6,000,000
Utilised during the period	1,350,000	-	1,350,000
Unutilised	650,000	4,000,000	4,650,000

The outstanding Shareholder loans – RCF amounting to USD 1,350,000 thousand are classified as current.

A. Unsecured Senior Corporate Revolving Facility (the “RCF”)

The Group entered into the RCF with ADNOC (as lender) on 30 January 2023. Under the RCF and subject to its terms, ADNOC agrees to provide the Group a USD 2 billion revolving loan facility for three years.

The RCF is utilized by the Group towards its working capital and for capital expenditure purposes (which include without limitation the payment of costs and expenses associated with the RCF).

The interest rate on any loan under the RCF is 0.85% per annum plus the applicable published term secured overnight financing rate (SOFR) for a period equal in length to the interest period of the relevant loan. The Group shall pay accrued interest on each loan on the earlier of the last day of each interest period or at six monthly intervals after the first day of the interest period (if the interest period is longer than six months). The Group shall repay each loan on the last day of the loan’s interest period, provided that the interest period does not extend beyond the date falling three years from the date of the RCF. The interest period of the loan is 3 months.

Under the terms of the RCF, the Group to pay to ADNOC (i) an agreed upfront fee, (ii) a commitment fee on ADNOC’s available commitment for the availability period, and (iii) any increased costs incurred by ADNOC (or any of its affiliates) as a direct result of the introduction of, or any change in, any law or regulation after the date of the RCF, or any compliance therewith.

B. Unsecured Senior Corporate Term Facility Agreement (the “TLA”)

The Group entered into the TLA with ADNOC (as lender) on 3 February 2023. Under the TLA and subject to its terms, ADNOC agrees to provide the Group a USD 4 billion loan facility for five years.

The TLA is to be utilized by the Group for working capital and capital expenditure purposes (which include, without limitation, the payment of costs and expenses associated with the TLA).

The interest rate on any loan under the TLA is 1% per annum plus the applicable published term secured overnight financing rate (SOFR) for a period equal in length to the interest period of the relevant loan. The Group shall pay accrued interest on each loan on the earlier of the last day of each interest period and at six monthly intervals after the first day of the interest period (if the interest period is longer than six months). All loans under the TLA are to be repaid on the date which is five years from the date of the TLA.

In connection with providing the TLA, the Group agreed to pay to ADNOC (i) an agreed upfront fee, (ii) a commitment fee on ADNOC’s available commitment for the availability period, and (iii) any increased costs incurred by ADNOC (or any of its affiliates) as a direct result of the introduction of, or any change in, any law or regulation after the date of the TLA, or any compliance therewith.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

21 Trade and other payables

	30 June 2023 USD'000
Trade payables	19,384
Retention payables	22,750
Accruals	577,237
Other payables	13,342
	<hr/> 632,713 <hr/>

22 Segmental reporting

The business activities of the Group are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant and is not performed for internal management reporting purposes.

For internal management purpose, the Group is organized as one business unit based on the products and services and has only one reportable segment. The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker ("CODM"). The Board of Directors, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the CODM that makes strategic decisions. The financial information reviewed by the CODM is based on the IFRS financial information for the Group. The CODM monitors the operating results for the purpose of making decisions about resource allocation and performance assessment.

The CODM regularly reviews the statement of profit or loss and other comprehensive income. The CODM function is to allocate resources to and assess the performance of the operating segment of the Group.

There are no other economic characteristics within the Group that will lead to determination of other operating segments.

The Group does not have any operating segments that are aggregated. The CODM has considered the following criteria in determining the operating segments of the Group:

- the nature of products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services.

Based on the criteria and evaluation above, the CODM has determined that the Group has only one operating segment, which is 'Gas Business', which is consistent with the internal reporting and performance measurement. Entire revenues are derived within the United Arab Emirates and all the non-current assets are located within the United Arab Emirates.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

23 Commitments and contingencies

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's interim condensed consolidated financial statements if concluded unfavorably. Total capital commitments and contingencies for the Group as at 30 June 2023 amounts to USD 1,621,303 thousand and USD 8,827 thousand respectively.

24 Fair value of financial assets and liabilities

Management considers that the carrying amounts of financial assets and liabilities approximate their fair values.

25 Seasonality of results

The Group is not particularly exposed to seasonality of operations.

26 IFRS Sustainability Disclosure Standards

On 26 June 2023, the International Sustainability Standards Board (ISSB) published first two IFRS Sustainability Disclosure Standards at the IFRS Foundation Conference 2023:

- **IFRS S1** *General Requirements for Disclosure of Sustainability-related Financial Information* - IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity.
- **IFRS S2** *Climate-related Disclosures* - IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Subject to adoption by the local jurisdiction, both Standards are effective for annual periods beginning on or after 1 January 2024, with substantial transitional reliefs to allow preparers more time to align reporting of sustainability related financial disclosures and financial statements.

27 Classification of expenses

In order to provide more relevant information to users, the Group has voluntarily changed the classification of expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income. The expenses have been classified based on 'nature' in these Interim Condensed Consolidated Financial Statements as compared to the classification based on 'function' in the Interim Condensed Consolidated Financial Statements for the period from 8 December 2022 (date of incorporation) to 31 March 2023.

ADNOC GAS PLC (AG) (FORMERLY ADNOC GAS LTD.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period from 8 December 2022 (date of incorporation) to 30 June 2023 continued

28 Subsequent events

Effective 1 July 2023, ADNOC Gas Operations and Marketing - L.L.C. (“AGO&M”) has taken over the operations and marketing functions for ALNG JV, AGP JV, AIG and AGF, on a no profit no loss basis. All employees in ALNG JV and AGP JV were transferred to AGO&M in accordance with an Emiri Decree and Board approval effective 1 July 2023, including employees’ end of service benefit (EOSB) entitlements.

29 Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issuance on 4 August 2023.