

**Qatar Telecom (Q-TEL) Q.S.C.**

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**31 MARCH 2002**

**AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF  
QATAR TELECOM (Q-TEL) Q.S.C.**

We have reviewed the accompanying balance sheet of Qatar Telecom (Q-TEL) Q.S.C. as of 31 March 2002, and the related statements of income, cash flows and changes in equity for the three month period then ended. These interim condensed financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

A. Mekhael, F.C.C.A.  
of Ernst & Young  
Auditor's Registration No. 59

Date: 17 April 2002  
Doha

**Qatar Telecom (Q-TEL) Q.S.C.**

**UNAUDITED BALANCE SHEET**

31 March 2002

	31 March		<i>(Audited)</i> 31 December 2001
	<b>2002</b> <b>QR'000</b>	2001 QR'000	QR'000
<b>ASSETS EMPLOYED</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>951,685</b>	899,736	966,259
<b>INVESTMENT SECURITIES</b>	<b>334,770</b>	343,784	339,109
<b>CURRENT ASSETS</b>			
Inventories	<b>36,335</b>	31,009	32,578
Accounts receivable and prepayments	<b>295,419</b>	333,151	321,867
Amounts due from other international carriers	<b>18,932</b>	22,022	24,463
Bank balances and cash	<b>1,438,351</b>	1,071,826	1,247,767
	<b><u>1,789,037</u></b>	<u>1,458,008</u>	<u>1,626,675</u>
<b>CURRENT LIABILITIES</b>			
Dividends payable	-	510,000	-
Accounts payable and accruals	<b>340,783</b>	265,933	339,992
Amounts due to other international carriers	<b>83,131</b>	71,504	85,282
Current account with The State of Qatar	<b>658,222</b>	246,254	434,072
	<b><u>1,082,136</u></b>	<u>1,093,691</u>	<u>859,346</u>
<b>NET CURRENT ASSETS</b>	<b>706,901</b>	364,317	767,329
<b>NON-CURRENT LIABILITIES</b>	<b><u>(75,019)</u></b>	<u>(23,434)</u>	<u>(73,860)</u>
	<b><u>1,918,337</u></b>	<u>1,584,403</u>	<u>1,998,837</u>
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	<b>1,000,000</b>	1,000,000	1,000,000
Legal reserve	<b>248,037</b>	156,391	221,110
Proposed dividend	-	-	345,000
Retained earnings	<b>652,030</b>	431,320	409,692
Cumulative changes in fair values	<b>18,270</b>	(3,308)	23,035
	<b><u>1,918,337</u></b>	<u>1,584,403</u>	<u>1,998,837</u>

.....  
Abdullah Bin Mohamed Bin Saud Al-Thani  
Chairman

.....  
Mr. Mohammad Bin Isa Al-Mouhanadi  
Member of the Board

The attached notes 1 to 8 form part of these interim condensed financial statements

Qatar Telecom (Q-TEL) Q.S.C.

UNAUDITED STATEMENT OF INCOME

Three Months Ended 31 March 2002

	<i>Note</i>	<b>2002</b> <b>QR'000</b>	<b>2001</b> <b>QR'000</b>
<b>REVENUE</b>	2	<u>423,150</u>	<u>357,462</u>
<b>EXPENSES</b>			
Staff expenses		48,288	44,614
Outpayments to other international carriers		37,187	39,269
Depreciation		32,778	34,871
Operating and maintenance expenses		17,977	17,060
General and administration expenses		15,957	14,869
Cost of equipment sold and other services		<u>12,259</u>	<u>8,871</u>
		<u>164,446</u>	<u>159,554</u>
<b>OPERATING PROFIT FOR THE PERIOD</b>		<b>258,704</b>	<b>197,908</b>
Other income	3	<u>10,561</u>	<u>18,023</u>
<b>NET PROFIT FOR THE PERIOD</b>		<u><b>269,265</b></u>	<u><b>215,931</b></u>
<b>BASIC EARNINGS PER SHARE</b>	4	<u><b>2.69</b></u>	<u><b>2.16</b></u>
(Expressed in QR per share)			

The attached notes 1 to 8 form part of these interim condensed financial statements

**Qatar Telecom (Q-TEL) Q.S.C.**

**UNAUDITED STATEMENT OF CASH FLOWS**

Three Months Ended 31 March 2002

	<b>2002</b>	2001
	<b>QR'000</b>	QR'000
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	<b>269,265</b>	215,931
Adjustment for:		
Depreciation	<b>32,778</b>	34,871
Investment and interest income	<b>(10,561)</b>	(22,575)
Provision for impairment in value of investments	-	4,552
Gain on disposal of property, plant and equipment	<b>(2)</b>	-
Operating profit before working capital changes	<b>291,480</b>	232,779
(Increase) decrease in inventories	<b>(3,757)</b>	1,491
Decrease in accounts receivable	<b>26,448</b>	4,515
Increase (decrease) in payables to other international carriers (net)	<b>3,380</b>	(7,382)
Increase (decrease) in accounts payable	<b>1,950</b>	(10,532)
Movement in current account with The State of Qatar	<b>224,150</b>	(26,026)
Net cash from operating activities	<b>543,651</b>	194,845
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(18,234)</b>	(17,930)
(Increase) decrease in investments	<b>(426)</b>	5,811
Net proceeds from sale of property, plant and equipment	<b>32</b>	-
Investment and interest income	<b>10,561</b>	22,575
Net cash (used in) from investing activities	<b>(8,067)</b>	10,456
<b>FINANCING ACTIVITIES</b>		
Dividends paid	<b>(345,000)</b>	-
Net cash used in financing activities	<b>(345,000)</b>	-
<b>INCREASE IN BANK BALANCES AND CASH</b>	<b>190,584</b>	205,301
Bank balances and cash at 1 January	<b>1,247,767</b>	866,525
<b>BANK BALANCES AND CASH AT 31 MARCH</b>	<b>1,438,351</b>	1,071,826

The attached notes 1 to 8 form part of these interim condensed financial statements

Qatar Telecom (Q-TEL) Q.S.C.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

Three Months Ended 31 March 2002

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Proposed dividend</i>	<i>Retained earnings</i>	<i>Cumulative changes in fair values</i>	<i>Total</i>
	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>
Balance at 1 January 2001	1,000,000	134,798	510,000	236,982	-	1,881,780
Restatement in accordance with IAS 39	-	-	-	-	4,308	4,308
Net profit for the period	-	-	-	215,931	-	215,931
Dividends transferred to payables	-	-	(510,000)	-	-	(510,000)
Transfer to legal reserve	-	21,593	-	(21,593)	-	-
Net movement on cumulative changes in fair value of investments	-	-	-	-	(7,616)	(7,616)
Balance at 31 March 2001	<b><u>1,000,000</u></b>	<b><u>156,391</u></b>	<b><u>-</u></b>	<b><u>431,320</u></b>	<b><u>(3,308)</u></b>	<b><u>1,584,403</u></b>
Balance at 1 January 2002	1,000,000	221,110	345,000	409,692	23,035	1,998,837
Net profit for the period	-	-	-	269,265	-	269,265
Dividends paid for 2001	-	-	(345,000)	-	-	(345,000)
Transfer to legal reserve	-	26,927	-	(26,927)	-	-
Net movement on cumulative changes in fair value of investments	-	-	-	-	(4,765)	(4,765)
Balance at 31 March 2002	<b><u>1,000,000</u></b>	<b><u>248,037</u></b>	<b><u>-</u></b>	<b><u>652,030</u></b>	<b><u>18,270</u></b>	<b><u>1,918,337</u></b>

The attached notes 1 to 8 form part of these interim condensed financial statements

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

31 March 2002

**1 ACCOUNTING POLICIES**

These interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2001.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

These interim financial statements should be read in conjunction with the 2001 annual financial statements and the notes attached thereto.

**2 REVENUE**

	<b>Three months ended 31 March</b>	
	<b>2002</b>	<b>2001</b>
	<b>QR'000</b>	<b>QR'000</b>
International traffic revenue	<b>188,066</b>	162,784
GSM services	<b>120,130</b>	87,329
National telephone system revenue	<b>44,583</b>	44,128
Other services	<b>70,371</b>	63,221
	<b><u>423,150</u></b>	<u>357,462</u>

**3 OTHER INCOME**

	<b>Three months ended 31 March</b>	
	<b>2002</b>	<b>2001</b>
	<b>QR'000</b>	<b>QR'000</b>
Interest income	<b>9,061</b>	17,788
Income from investment securities	<b>1,500</b>	4,787
Provision for diminution in value of investments	<b>-</b>	(4,552)
	<b><u>10,561</u></b>	<u>18,023</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

31 March 2002

**4 EARNINGS PER SHARE**

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

	<b>Three months ended 31 March</b>	
	<b>2002</b>	2001
	<b>QR'000</b>	QR'000
Profit for the period	<u><b>269,265</b></u>	<u>215,931</u>
Weighted average number of shares outstanding during the period	<u><b>100,000</b></u>	<u>100,000</u>
Earnings per share (expressed in QR per share)	<u><b>2.69</b></u>	<u>2.16</u>

**5 COMMITMENTS**

At 31 March 2002, future capital expenditure approved by the Board of Directors amounted to QR 961,545,000 (31 March 2001: QR 477,671,000) of which QR 293,036,000 (31 March 2001: QR 100,302,000) is committed.

At 31 March 2002, the company was party to forward foreign exchange contracts to purchase SDR 5,031,000 (31 March 2001: SDR 5,435,000) over a future period of up to twelve months. The forward foreign exchange contracts are designed to hedge the foreign currency exposure of SDR liabilities due to international carriers.

**6 CONTINGENT LIABILITIES**

	<b>31 March</b>	31 March	<i>(Audited)</i>
	<b>2002</b>	2001	31 December
	<b>QR'000</b>	QR'000	2001
			QR'000
Claims against the company under litigation not acknowledged as debts	<b>1,782</b>	1,132	2,253
Uncalled portion of partly paid up shares of Qatar Shipping Company	<u>-</u>	<u>6,000</u>	<u>-</u>
	<u><b>1,782</b></u>	<u>7,132</u>	<u>2,253</u>

The company has entered into an agreement to guarantee a portion of the loan repayments of Thuraya Satellite Telecommunication Company in respect of project financing for the construction of a satellite system. The obligation of the company under this guarantee amounts to QR 218,000,000 as at 31 March 2002 (31 March 2001: QR 218,000,000).

The company's banks have issued performance guarantees of QR Nil as at 31 March 2002 (31 March 2001 : QR 1,498,000) and letters of credit of QR 3,281,000 as at 31 March 2002 (31 March 2001 : Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

31 March 2002

7 SEGMENT INFORMATION

Business Segments

	Three months ended 31 March 2002				Three months ended 31 March 2001			
	Fixed Line Services QR'000	Mobile Services QR'000	Other Services QR'000	Total QR'000	Fixed Line Services QR'000	Mobile Services QR'000	Other Services QR'000	Total QR'000
Revenue	<u>246,182</u>	<u>132,001</u>	<u>44,967</u>	<u>423,150</u>	<u>220,342</u>	<u>98,438</u>	<u>38,682</u>	<u>357,462</u>
Result	178,285	110,751	28,863	317,899	147,478	81,113	22,604	251,195
Unallocated costs				<u>(59,195)</u>				<u>(53,287)</u>
				258,704				197,908
Other income				<u>10,561</u>				<u>18,023</u>
Net Profit				<u>269,265</u>				<u>215,931</u>

**8 COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.