

QATAR TELECOM (Q-TEL) Q.S.C.
INTERIM CONDENSED FINANCIAL
STATEMENTS
30 SEPTEMBER 2003

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

**INTERIM CONDENSED FINANCIAL STATEMENTS
for the nine months ended 30 September 2003**

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REVIEW REPORT TO THE DIRECTORS**Qatar Telecom (Q-TEL) Q.S.C.****Doha****State of Qatar**

We have reviewed the accompanying interim condensed financial statements of Qatar Telecom (Q-TEL) Q.S.C. as at, and for the nine months ended 30 September 2003 as set out on pages 3 to 10. The accompanying financial statements of Qatar Telecom (Q-TEL) Q.S.C., as at and for the period/year ended 30 September 2002 / 31 December 2002 were reviewed/audited by other auditors, whose review/audit report thereon expressed an unqualified opinion on those statements. These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 on interim financial reporting.

Respective responsibilities of directors and reviewing accountants

These interim condensed financial statements are the responsibility of the directors of the Company. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

Scope of 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 enquiries 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.

Review 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 Financial Reporting Standards promulgated by the International Accounting Standards Board.

21 October 2003
Doha, State of Qatar

Abdul Hakim Al-Adhamy
Qatar Auditor's Registry Number 105
KPMG Peat Marwick

BALANCE SHEET
as at 30 September 2003
In thousands of Qatari Riyals

	As at 30 September 2003 Reviewed	As at 30 September 2002 Reviewed	As at 31 December 2002 Audited
NET ASSETS EMPLOYED			
NON-CURRENT ASSETS			
Property, plant and equipment	1,217,204	962,861	1,078,254
Investment securities	489,542	326,590	315,899
TOTAL NON-CURRENT ASSETS	1,706,746	1,289,451	1,394,153
CURRENT ASSETS			
Inventories	53,942	47,486	49,973
Accounts receivable and prepayments	338,037	341,317	277,252
Amounts due from other international carriers	20,724	18,106	23,686
Cash and cash equivalents	1,339,988	1,656,203	1,617,267
TOTAL CURRENT ASSETS	1,752,691	2,063,112	1,968,178
CURRENT LIABILITIES			
Accounts payable and accruals	431,009	412,521	478,098
Amounts due to other international carriers	88,557	90,047	92,595
Current account with The State of Qatar	239,893	637,179	354,406
TOTAL CURRENT LIABILITIES	759,459	1,139,747	925,099
NET CURRENT ASSETS	993,232	923,365	1,043,079
NON-CURRENT LIABILITIES	(104,064)	(95,560)	(98,681)
NET ASSETS EMPLOYED	2,595,914	2,117,256	2,338,551
SHAREHOLDERS' FUNDS			
Share capital	1,000,000	1,000,000	1,000,000
Legal reserve	405,628	293,973	316,731
Proposed dividend	-	-	380,000
Retained earnings	1,075,656	785,457	605,580
Fair value reserve	114,630	37,826	36,240
TOTAL SHAREHOLDERS' FUNDS	2,595,914	2,117,256	2,338,551

 Abdullah Bin Mohamed Bin Saud Al-Thani
Chairman

 Mohammad Bin Isa Al-Mouhanadi
Member of the Board

The attached notes 1 to 8 form an integral part of the interim condensed financial statements.

STATEMENT OF INCOME

for the nine months ended 30 September 2003

In thousands of Qatari Riyals

	Notes	Three months ended		Nine months ended	
		30 September 2003 Reviewed	30 September 2002 Reviewed	30 September 2003 Reviewed	30 September 2002 Reviewed
REVENUE		504,103	435,114	1,476,475	1,285,165
EXPENSES					
Staff salaries and related expenses		53,725	47,615	162,561	142,631
Past service pension benefit costs		1,445	41,720	4,345	41,720
Outpayments to other international carriers		42,655	43,579	130,743	117,614
Depreciation		40,241	35,424	113,061	106,370
General and administration expenses		23,121	24,908	82,053	56,676
Operating and maintenance expenses		26,306	21,153	76,884	58,902
Cost of equipment sold and other services		9,096	19,432	24,810	43,758
		196,589	233,831	594,457	567,671
OPERATING PROFIT FOR THE PERIOD		307,514	201,283	882,018	717,494
Other income	2	10,763	17,822	34,266	38,932
Provision for impairment of investments		(9,104)	(9,105)	(27,311)	(27,798)
NET PROFIT FOR THE PERIOD		309,173	210,000	888,973	728,628
EARNINGS PER SHARE – BASIC (expressed in QR per share)	4	3.09	2.10	8.89	7.29

The attached notes 1 to 8 form an integral part of the interim condensed financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS
for the nine months ended 30 September 2003

In thousands of Qatari Riyals

2002	Share capital	Legal reserve	Proposed dividend	Retained earnings	Fair value reserve	Total
As at 1 January	1,000,000	221,110	345,000	409,692	23,035	1,998,837
Dividend paid for 2001	-	-	(345,000)	-	-	(345,000)
Net profit for the period	-	-	-	728,628	-	728,628
Transfer to legal reserve	-	72,863	-	(72,863)	-	-
Interim dividend for 2002	-	-	-	(280,000)	-	(280,000)
Fair value adjustment at end of the period	-	-	-	-	14,791	14,791
As at 30 September	<u>1,000,000</u>	<u>293,973</u>	<u>-</u>	<u>785,457</u>	<u>37,826</u>	<u>2,117,256</u>
2003	Share capital	Legal reserve	Proposed dividend	Retained earnings	Fair value reserve	Total
As at 1 January	1,000,000	316,731	380,000	605,580	36,240	2,338,551
Dividend paid for 2002	-	-	(380,000)	-	-	(380,000)
Net profit for the period	-	-	-	888,973	-	888,973
Transfer to legal reserve	-	88,897	-	(88,897)	-	-
Interim dividend for 2003	-	-	-	(330,000)	-	(330,000)
Fair value adjustment at end of the period	-	-	-	-	78,390	78,390
As at 30 September	<u>1,000,000</u>	<u>405,628</u>	<u>-</u>	<u>1,075,656</u>	<u>114,630</u>	<u>2,595,914</u>

The attached notes 1 to 8 form an integral part of the interim condensed financial statements.

STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2003

In thousands of Qatari Riyals

	2003	2002
	Reviewed	Reviewed
OPERATING ACTIVITIES		
Net Profit for the period	888,973	728,628
Adjustments for:		
Depreciation	113,061	106,370
Investment and interest income	(34,266)	(38,932)
Provision for impairment in value of investments	27,311	27,798
Loss / (gain) on disposal of property, plant and equipment	313	(795)
	<hr/>	<hr/>
Operating profit before working capital changes	995,392	823,069
Increase in inventories	(3,969)	(14,908)
Increase in accounts receivable	(60,785)	(19,450)
(Decrease) / Increase in payables to other international carriers (net)	(1,076)	11,122
(Decrease) / Increase in accounts payable	(41,706)	94,229
Movement in current account with The State of Qatar	(114,513)	203,107
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	773,343	1,097,169
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(252,845)	(103,085)
Increase in investments	(122,564)	(489)
Net proceeds from sale of property, plant and equipment	521	909
Investment and interest income	34,266	38,932
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(340,622)	(63,733)
FINANCING ACTIVITIES		
Dividends paid	(710,000)	(625,000)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(710,000)	(625,000)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(277,279)	408,436
Cash and cash equivalents at 1 January	1,617,267	1,247,767
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CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	1,339,988	1,656,203
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The attached notes 1 to 8 form an integral part of the interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**for the nine months ended 30 September 2003****In thousands of Qatari Riyals****1 ACCOUNTING POLICIES**

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting), which permits the interim condensed financial statements to be in summarised form.

These interim condensed financial statements have been prepared using the same accounting policies set out in the 2002 annual financial statements.

Due to the effect of seasonal variations, the nine months' results reported in these interim condensed financial statements may not represent a proportionate share of the overall annual income.

2 OTHER INCOME

	Three months ended		Nine months ended	
	30 September 2003	30 September 2002	30 September 2003	30 September 2002
Interest income	8,270	10,849	24,428	29,438
Income from investment securities	2,493	6,973	9,838	9,494
TOTAL	10,763	17,822	34,266	38,932

3 DIVIDENDS

At the balance sheet date the following dividends were proposed and approved by the Board of Directors.

	Nine months ended	
	30 September 2003	30 September 2002
Interim dividends – QR 3.30 per share (2002: QR 2.80 per share)	330,000	280,000

Interim dividends of 330,000 relating to 2003 and final dividends of 380,000 relating to 2002 were paid during the period.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**for the nine months ended 30 September 2003****In thousands of Qatari Riyals****4 EARNINGS PER SHARE**

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

	Three months ended		Nine months ended	
	30 September 2003	30 September 2002	30 September 2003	30 September 2002
Profit for the period	309,173	210,000	888,973	728,628
Weighted average number of shares outstanding during the period	100,000	100,000	100,000	100,000
Earnings per share (expressed in QR per share)	3.09	2.10	8.89	7.29

5 COMMITMENTS

As at 30 September 2003, future capital expenditure approved by the Board of Directors amounted to 1,443,860 (30 September 2002: 876,532), of which 292,710 (30 September 2002: 327,386) is committed.

As at 30 September 2003, the Company was party to forward exchange contracts to purchase SDR 4,923,500 (30 September 2002: SDR 5,906,000) over a future period upto eleven months. The forward exchange contracts are designed to hedge the foreign currency exposure of SDR liabilities due to the international carriers.

6 CONTINGENT LIABILITIES

a) Claims

Claims against the Company not acknowledged as debts as at 30 September 2003 amounted to 958 (30 September 2002: 2,182).

b) Loan repayment guarantees

The Company has entered into an agreement to guarantee a portion of the loan repayments to Thuraya Satellite Telecommunications Company in respect of project financing for the construction of a satellite system. The obligation of the Company under this guarantee amounts to 208,000 as at 30 September 2003 (30 September 2002: 208,000).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
for the nine months ended 30 September 2003

In thousands of Qatari Riyals

7 SEGMENTAL INFORMATION

2003	Three months ended 30 September 2003				Nine months ended 30 September 2003			
	Wireline services	Wireless services	Other services	Total	Wireline services	Wireless services	Other services	Total
Revenue	<u>199,338</u>	<u>284,837</u>	<u>19,928</u>	<u>504,103</u>	<u>586,616</u>	<u>824,190</u>	<u>65,669</u>	<u>1,476,475</u>
Segmental results	128,350	224,133	5,295	357,778	366,819	654,773	21,797	1,043,389
Unallocated costs				<u>(50,264)</u>				<u>(161,371)</u>
OPERATING PROFIT				307,514				882,018
Other income				10,763				34,266
Provision for impairment of investments				<u>(9,104)</u>				<u>(27,311)</u>
NET PROFIT				<u>309,173</u>				<u>888,973</u>
	Three months ended 30 September 2002				Nine months ended 30 September 2002			
2002	Wireline services	Wireless services	Other services	Total	Wireline services	Wireless services	Other services	Total
Revenue	<u>189,057</u>	<u>219,427</u>	<u>26,630</u>	<u>435,114</u>	<u>574,368</u>	<u>626,498</u>	<u>84,299</u>	<u>1,285,165</u>
Segmental results	111,015	170,391	8,333	289,739	359,011	502,575	31,106	892,692
Unallocated costs				<u>(88,456)</u>				<u>(175,198)</u>
OPERATING PROFIT				201,283				717,494
Other income				17,822				38,932
Provision for impairment of investments				<u>(9,105)</u>				<u>(27,798)</u>
NET PROFIT				<u>210,000</u>				<u>728,628</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
for the nine months ended 30 September 2003**

In thousands of Qatari Riyals

8 COMPARATIVE FIGURES

The corresponding figures presented for 2002 have been reclassified and restated where necessary to preserve consistency with the 2003 figures.