

QATAR TELECOM (Q-TEL) Q.S.C.

**INTERIM CONDENSED FINANCIAL
STATEMENTS**

31 MARCH 2004

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

**INTERIM CONDENSED FINANCIAL STATEMENTS
for the three months ended 31 March 2004**

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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 three months ended 31 March 2004 as set out on pages 2 to 7. 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.

21st April 2004
Doha, State of Qatar

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

BALANCE SHEET
as at 31 March 2004

In thousands of Qatari Riyals

	31 March 2004 Reviewed	31 December 2003 Audited
NET ASSETS EMPLOYED		
NON-CURRENT ASSETS		
Property, plant and equipment	1,302,867	1,272,927
Investment securities	<u>637,185</u>	<u>473,607</u>
TOTAL NON-CURRENT ASSETS	<u>1,940,052</u>	<u>1,746,534</u>
CURRENT ASSETS		
Inventories	38,807	33,345
Accounts receivable and prepayments	336,835	329,281
Amounts due from other international carriers	26,065	20,339
Cash and cash equivalents	<u>1,418,044</u>	<u>1,362,676</u>
TOTAL CURRENT ASSETS	<u>1,819,751</u>	<u>1,745,641</u>
CURRENT LIABILITIES		
Accounts payable and accruals	520,592	444,751
Amounts due to other international carriers	97,750	87,476
Current account with the State of Qatar	<u>221,911</u>	<u>2,549</u>
TOTAL CURRENT LIABILITIES	<u>840,253</u>	<u>534,776</u>
NET CURRENT ASSETS	<u>979,498</u>	<u>1,210,865</u>
NON-CURRENT LIABILITIES	<u>(81,378)</u>	<u>(103,857)</u>
	<u>2,838,172</u>	<u>2,853,542</u>
SHAREHOLDERS' FUNDS		
Share capital	1,000,000	1,000,000
Legal reserve	465,522	431,613
Proposed dividend	-	400,000
Retained earnings	1,210,004	909,520
Fair value reserve	<u>162,646</u>	<u>112,409</u>
	<u>2,838,172</u>	<u>2,853,542</u>

Abdullah Bin Mohamed Bin Saud Al-Thani
*Chairman*Mohammad Bin Isa Al-Mouhanadi
Member of the Board

The attached notes 1 to 7 form an integral part of the interim condensed financial statements.

STATEMENT OF INCOME
for the three months ended 31 March 2004

In thousands of Qatari Riyals

	Notes	Three months ended 31 March 2004 Reviewed	Three months ended 31 March 2003 Reviewed
REVENUE		565,244	470,368
EXPENSES			
Staff salaries and related expenses		63,029	57,285
Outpayments to other international carriers		49,889	44,019
Depreciation		50,103	38,260
General and administration expenses		36,426	29,563
Operating and maintenance expenses		27,355	23,873
Cost of equipment sold and other services		9,640	9,295
		236,442	202,295
OPERATING PROFIT FOR THE PERIOD		328,802	268,073
Other income	2	10,291	9,301
Provision for impairment of investments		-	(9,104)
NET PROFIT FOR THE PERIOD		339,093	268,270
EARNINGS PER SHARE – BASIC (expressed in QR per share)	4	3.39	2.68

The attached notes 1 to 7 form an integral part of the interim condensed financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS
for the three months ended 31 March 2004
In thousands of Qatari Riyals

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
Final dividend paid for 2002	-	-	(380,000)	-	-	(380,000)
Net profit for the period	-	-	-	268,270	-	268,270
Transfer to legal reserve	-	26,827	-	(26,827)	-	-
Fair value adjustment at end of the period	-	-	-	-	11,673	11,673
As at 31 March	<u>1,000,000</u>	<u>343,558</u>	<u>-</u>	<u>847,023</u>	<u>47,913</u>	<u>2,238,494</u>
2004	Share capital	Legal reserve	Proposed dividend	Retained earnings	Fair value reserve	Total
As at 1 January	1,000,000	431,613	400,000	909,520	112,409	2,853,542
Final dividend paid for 2003	-	-	(400,000)	-	-	(400,000)
Net profit for the period	-	-	-	339,093	-	339,093
Transfer to legal reserve	-	33,909	-	(33,909)	-	-
Directors remuneration	-	-	-	(4,700)	-	(4,700)
Fair value adjustment at end of the period	-	-	-	-	50,237	50,237
As at 31 March	<u>1,000,000</u>	<u>465,522</u>	<u>-</u>	<u>1,210,004</u>	<u>162,646</u>	<u>2,838,172</u>

The attached notes 1 to 7 form an integral part of the interim condensed financial statements.

STATEMENT OF CASH FLOWS
for the three months ended 31 March 2004
In thousands of Qatari Riyals

	Three months ended 31 March 2004 Reviewed	Three months ended 31 March 2003 Reviewed
OPERATING ACTIVITIES		
Net profit for the period	339,093	268,270
Adjustments for:		
Depreciation	50,103	38,260
Investment and interest income	(10,291)	(9,301)
Provision for impairment of investments	-	9,104
Gain on disposal of property, plant and equipment	(1)	(6)
	<hr/>	<hr/>
Operating profit before working capital changes	378,904	306,327
Increase in inventories	(5,462)	(2,366)
Increase in accounts receivable and prepayments	(7,554)	(3,888)
Increase / (decrease) in amounts due to other international carriers (net)	4,548	(3,659)
Increase / (decrease) in accounts payable and accruals	53,362	(28,996)
Movement in current account with the State of Qatar	219,362	110,736
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	643,160	378,154
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(79,448)	(62,438)
Increase in investment securities	(113,341)	-
Net proceeds from sale of property, plant and equipment	(594)	78
Investment and interest income	10,291	9,301
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(183,092)	(53,059)
FINANCING ACTIVITIES		
Dividends paid	(400,000)	(380,000)
Directors remuneration paid	(4,700)	(4,700)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(404,700)	(384,700)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	55,368	(59,605)
Cash and cash equivalents as at 1 January	1,362,676	1,617,267
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CASH AND CASH EQUIVALENTS AS AT 31 MARCH	1,418,044	1,557,662
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The attached notes 1 to 7 form an integral part of the interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
for the three months ended 31 March 2004

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 2003 annual financial statements.

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

2 OTHER INCOME

	2004	2003
Interest income	8,691	8,001
Income from investment securities	1,600	1,300
TOTAL	10,291	9,301

3 DIVIDENDS

At the balance sheet date the following dividends were paid:

	2004	2003
Final dividend – QR 4.00 per share (2003: QR 3.80 per share)	400,000	380,000

Final dividend of QR 400,000 relating to 2003 were paid during the period (2003: final dividends of QR 380,000 relating to 2002).

4 EARNINGS PER SHARE

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

	2004	2003
Profit for the period	339,093	268,270
Weighted average number of shares outstanding during the period	100,000	100,000
Earnings per share (expressed in QR per share)	3.39	2.68

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
for the three months ended 31 March 2004

In thousands of Qatari Riyals

5 COMMITMENTS

As at 31 March 2004, future capital expenditure approved by the Board of Directors amounted to QR 1,870,059 (2003: QR 1,414,500), of which QR 313,861 (2003: QR 190,578) is committed.

The forward exchange contracts outstanding at 31 March 2004 amounted to SDR 11,363,850 (2003: SDR 9,588,000). 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 31 March 2004 amounted to QR 1,590 (2003: QR 1,121).

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 QR 208,000 as at 31 March 2004 (2003: QR 208,000).

7 SEGMENTAL INFORMATION

The segment information is presented based on the Company's management and internal reporting structure and comprise of Wireline Services, Wireless Services and Special Business. The Company provides telecommunication services principally within the State of Qatar.

2004	Wireline services	Wireless services	Other services	Total
Revenue	<u>216,410</u>	<u>330,691</u>	<u>18,143</u>	<u>565,244</u>
Segmental results	127,831	255,026	3,925	386,782
Unallocated costs				<u>(57,980)</u>
OPERATING PROFIT				328,802
Other income				10,291
Provision for impairment of investments				<u>-</u>
NET PROFIT				<u>339,093</u>
2003	Wireline services	Wireless services	Other services	Total
Revenue	<u>191,226</u>	<u>255,773</u>	<u>23,369</u>	<u>470,368</u>
Segmental results	114,641	202,578	6,842	324,061
Unallocated costs				<u>(55,988)</u>
OPERATING PROFIT				268,073
Other income				9,301
Provision for impairment of investments				<u>(9,104)</u>
NET PROFIT				<u>268,270</u>