

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 September 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 30 September 2002, and the related statements of income, cash flows and changes in equity for the nine 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: 10 November 2002
Doha

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

UNAUDITED BALANCE SHEET

30 September 2002

	<i>30 September</i>		<i>(Audited)</i>
	<i>2002</i>	<i>2001</i>	<i>31 December</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>2001</i>
			<i>QR'000</i>
ASSETS EMPLOYED			
PROPERTY, PLANT AND EQUIPMENT	962,861	910,698	966,259
INVESTMENT SECURITIES	326,590	350,481	339,109
CURRENT ASSETS			
Inventories	47,486	39,423	32,578
Accounts receivable and prepayments	341,317	328,686	321,867
Amounts due from other international carriers	18,106	24,256	24,463
Bank balances and cash	1,656,203	1,075,547	1,247,767
	2,063,112	1,467,912	1,626,675
CURRENT LIABILITIES			
Interim dividend payable	-	255,000	-
Accounts payable and accruals	428,999	286,833	339,992
Amounts due to other international carriers	90,047	79,890	85,282
Current account with The State of Qatar	637,179	270,750	434,072
	1,156,225	892,473	859,346
NET CURRENT ASSETS	906,887	575,439	767,329
NON-CURRENT LIABILITIES	(79,082)	(26,273)	(73,860)
	2,117,256	1,810,345	1,998,837
SHAREHOLDERS' FUNDS			
Share capital	1,000,000	1,000,000	1,000,000
Legal reserve	293,973	202,980	221,110
Proposed dividend	-	-	345,000
Retained earnings	785,457	595,620	409,692
Cumulative changes in fair values	37,826	11,745	23,035
	2,117,256	1,810,345	1,998,837

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

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

The attached notes 1 to 9 form part of these interim condensed financial statements

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

UNAUDITED STATEMENT OF INCOME

Nine months Ended 30 September 2002

		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
		<i>September</i>	<i>September</i>	<i>September</i>	<i>September</i>
		<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>Note</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
REVENUE	2	435,114	383,332	1,285,165	1,121,445
EXPENSES					
Staff expenses		47,615	44,637	142,631	139,113
Past service pension benefit costs	8	41,720	-	41,720	-
Outpayments to other international carriers		43,579	40,240	117,614	120,744
Depreciation		35,424	34,510	106,370	104,918
Operating and maintenance expenses		21,153	19,285	58,902	53,637
General and administration expenses		24,908	1,943	56,676	33,854
Cost of equipment sold and other services		19,432	13,908	43,758	33,009
		233,831	154,523	567,671	485,275
OPERATING PROFIT FOR THE PERIOD		201,283	228,809	717,494	636,170
Other Income	3	17,822	20,395	38,932	60,166
Provision for impairment of investment		(9,105)	(4,839)	(27,798)	(14,516)
NET PROFIT FOR THE PERIOD		210,000	244,365	728,628	681,820
EARNINGS PER SHARE - BASIC	4	2.10	2.44	7.29	6.82
(Expressed in QR per share)					

The attached notes 1 to 9 form part of these interim condensed financial statements

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

UNAUDITED STATEMENT OF CASH FLOWS

Nine months Ended 30 September 2002

	<i>2002</i> <i>QR'000</i>	<i>2001</i> <i>QR'000</i>
OPERATING ACTIVITIES		
Net profit for the period	728,628	681,820
Adjustment for:		
Depreciation	106,370	104,918
Investment and interest income	(38,932)	(60,166)
Provision for impairment in value of investment	27,798	14,516
(Gain) loss on disposal of property, plant and equipment	(795)	16
Operating profit before working capital changes	823,069	741,104
Increase in inventories	(14,908)	(6,923)
(Increase) decrease in accounts receivable	(19,450)	8,980
Increase (decrease) in payables to other international carriers (net)	11,122	(1,230)
Increase in accounts payable	94,229	13,207
Movement in current account with The State of Qatar	203,107	(1,530)
Net cash from operating activities	1,097,169	753,608
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(103,085)	(99,247)
(Increase) decrease in investments	(489)	4,204
Net proceeds from sale of property, plant and equipment	909	291
Investment and interest income	38,932	60,166
Net cash used in investing activities	(63,733)	(34,586)
FINANCING ACTIVITIES		
Dividend paid	(625,000)	(510,000)
Net cash used in financing activities	(625,000)	(510,000)
INCREASE IN BANK BALANCES AND CASH	408,436	209,022
Bank balances and cash at 1 January	1,247,767	866,525
BANK BALANCES AND CASH AT 30 SEPTEMBER	1,656,203	1,075,547

The attached notes 1 to 9 form part of these interim condensed financial statements

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

UNAUDITED STATEMENT OF CHANGES IN EQUITY

Nine months Ended 30 September 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
Dividend paid for 2000	-	-	(510,000)	-	-	(510,000)
Net profit for the period	-	-	-	681,820	-	681,820
Transfer to legal reserve	-	68,182	-	(68,182)	-	-
Interim dividend payable	-	-	-	(255,000)	-	(255,000)
Net movement on cumulative changes in fair value of investments	-	-	-	-	7,437	7,437
Balance at 30 September 2001	<u>1,000,000</u>	<u>202,980</u>	<u>-</u>	<u>595,620</u>	<u>11,745</u>	<u>1,810,345</u>
Balance at 1 January 2002	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 paid	-	-	-	(280,000)	-	(280,000)
Net movement on cumulative changes in fair value of investments	-	-	-	-	14,791	14,791
Balance at 30 September 2002	<u>1,000,000</u>	<u>293,973</u>	<u>-</u>	<u>785,457</u>	<u>37,826</u>	<u>2,117,256</u>

The attached notes 1 to 9 form part of these interim condensed financial statements

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
	<i>September</i>	<i>September</i>	<i>September</i>	<i>September</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
International traffic revenue	175,888	182,235	545,702	519,995
GSM services	135,307	95,836	383,492	280,293
National telephone system revenue	46,492	43,833	139,008	132,593
Other services	77,427	61,428	216,963	188,564
	<u>435,114</u>	<u>383,332</u>	<u>1,285,165</u>	<u>1,121,445</u>

3 OTHER INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
	<i>September</i>	<i>September</i>	<i>September</i>	<i>September</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Interest income	10,849	16,006	29,438	50,250
Income from investment securities	6,973	4,389	9,494	9,916
	<u>17,822</u>	<u>20,395</u>	<u>38,932</u>	<u>60,166</u>

30 September 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:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2002 QR'000</i>	<i>30 September 2001 QR'000</i>	<i>30 September 2002 QR'000</i>	<i>30 September 2001 QR'000</i>
Net profit for the period	<u>210,000</u>	<u>244,365</u>	<u>728,628</u>	<u>681,820</u>
Weighted average number of shares outstanding during the period	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Earnings per share (expressed in QR per share)	<u>2.10</u>	<u>2.44</u>	<u>7.29</u>	<u>6.82</u>

5 COMMITMENTS

At 30 September 2002, future capital expenditure approved by the Board of Directors amounted to QR 876,532,000 (30 September 2001: QR 524,954,000) of which QR 327,386,000 (30 September 2001: QR 124,413,000) is committed.

At 30 September 2002, the company was a party to forward foreign exchange contracts to purchase SDR 5,906,000 (30 September 2001: SDR 4,870,000) over a future period of up to eleven months. The forward foreign exchange contracts are designed to hedge the foreign currency exposure of SDR liabilities due to international carriers.

6 CONTINGENT LIABILITIES

(a) *Claims*

	<i>(Audited)</i>		
	<i>30 September 2002 QR'000</i>	<i>30 September 2001 QR'000</i>	<i>31 December 2001 QR'000</i>
Claims against the company under litigation not acknowledged as debts	<u>2,182</u>	<u>1,132</u>	<u>2,253</u>

(b) *Loan repayment guarantees*

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 208,000,000 as at 30 September 2002 (30 September 2001: QR 218,000,000).

8 PENSION OBLIGATIONS FOR QATARI STAFF

In August 2002, the Qatar Government issued Law No. (24) of 2002, the Retirement and Pensions Law. The Law introduces a requirement for Government, Semi-Government bodies and Qatari public shareholding companies to contribute to a Government Pension Fund on behalf of their Qatari employees. The Law was published in the Official Gazette on 6 October 2002 and will become effective on 6 March 2003.

The Law sets out provisions that deal with the past service of Qatari employees and the respective obligations of the employer. The company has, based on its interpretation of the new Law, created a provision of QR 41,720,000 for its estimated obligation for pension contributions as a result of the past service of current and past Qatari employees.

The Government will publish a set of Implementation Regulations for the new Law, at which time, the company will review its provision for pension obligations and make any necessary adjustments to the provision.

In addition, during the period the company appointed an actuary to determine the defined pension entitlements of retired Qatari staff. Based on the actuary's report, management do not consider it necessary to provide any additional amounts in respect of the company's obligations to retired staff.

9 COMPARATIVE FIGURES

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