

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

**INTERIM CONDENSED FINANCIAL
STATEMENTS**

30 JUNE 2003

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

**INTERIM CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 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 six months ended 30 June 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 June 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.

19 July 2003
Doha, State of Qatar

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

BALANCE SHEET
as at 30 June 2003

In thousands of Qatari Riyals

	As at 30 June 2003 Reviewed	As at 30 June 2002 Reviewed	As at 31 December 2002 Audited
NET ASSETS EMPLOYED			
NON-CURRENT ASSETS			
Property, plant and equipment	1,206,531	941,708	1,078,254
Investment securities	429,352	326,173	315,899
TOTAL NON-CURRENT ASSETS	1,635,883	1,267,881	1,394,153
CURRENT ASSETS			
Inventories	54,253	39,925	49,973
Accounts receivable and prepayments	319,935	318,089	277,252
Amounts due from other international carriers	21,094	19,911	23,686
Cash and cash equivalents	1,363,869	1,594,716	1,617,267
TOTAL CURRENT ASSETS	1,759,151	1,972,641	1,968,178
CURRENT LIABILITIES			
Interim dividend payable	330,000	-	-
Accounts payable and accruals	451,991	335,877	478,098
Amounts due to other international carriers	76,295	80,511	92,595
Current account with The State of Qatar	157,458	555,007	354,406
TOTAL CURRENT LIABILITIES	1,015,744	971,395	925,099
NET CURRENT ASSETS	743,407	1,001,246	1,043,079
NON-CURRENT LIABILITIES	(108,128)	(91,390)	(98,681)
NET ASSETS EMPLOYED	2,271,162	2,177,737	2,338,551
SHAREHOLDERS' FUNDS			
Share capital	1,000,000	1,000,000	1,000,000
Legal reserve	374,711	272,973	316,731
Proposed dividend	-	-	380,000
Retained earnings	797,400	876,458	605,580
Fair value reserve	99,051	28,306	36,240
TOTAL SHAREHOLDERS' FUNDS	2,271,162	2,177,737	2,338,551

Abdullah Bin Mohamed Bin Saud Al-Thani
ChairmanMohammad 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 six months ended 30 June 2003
In thousands of Qatari Riyals

	Notes	Three months ended		Six months ended	
		30 June 2003 Reviewed	30 June 2002 Reviewed	30 June 2003 Reviewed	30 June 2002 Reviewed
REVENUE		502,004	426,902	972,372	850,051
EXPENSES					
Staff salaries and related expenses		54,451	46,728	111,736	95,016
Outpayments to other international carriers		44,069	36,848	88,088	74,035
Depreciation		34,560	38,168	72,820	70,946
General and administration expenses		29,369	15,810	58,932	31,767
Operating and maintenance expenses		26,705	19,773	50,578	37,749
Cost of equipment sold and other services		6,419	12,067	15,714	24,326
		195,573	169,394	397,868	333,839
OPERATING PROFIT FOR THE PERIOD		306,431	257,508	574,504	516,212
Other income	2	14,202	10,549	23,503	21,110
Provision for impairment of investments		(9,103)	(18,693)	(18,207)	(18,693)
NET PROFIT FOR THE PERIOD		311,530	249,364	579,800	518,629
EARNINGS PER SHARE – BASIC (expressed in QR per share)	4	3.12	2.49	5.80	5.19

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

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS
for the six months ended 30 June 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	-	-	-	518,629	-	518,629
Transfer to legal reserve	-	51,863	-	(51,863)	-	-
Fair value adjustment at end of the period	-	-	-	-	5,271	5,271
As at 30 June	<u>1,000,000</u>	<u>272,973</u>	<u>-</u>	<u>876,458</u>	<u>28,306</u>	<u>2,177,737</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	-	-	-	579,800	-	579,800
Transfer to legal reserve	-	57,980	-	(57,980)	-	-
Interim dividend for 2003	-	-	-	(330,000)	-	(330,000)
Fair value adjustment at end of the period	-	-	-	-	62,811	62,811
As at 30 June	<u>1,000,000</u>	<u>374,711</u>	<u>-</u>	<u>797,400</u>	<u>99,051</u>	<u>2,271,162</u>

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

STATEMENT OF CASH FLOWS
for the six months ended 30 June 2003
In thousands of Qatari Riyals

	2003	2002
	Reviewed	Reviewed
OPERATING ACTIVITIES		
Net Profit for the period	579,800	518,629
Adjustments for:		
Depreciation	72,820	70,946
Investment and interest income	(23,503)	(21,110)
Provision for impairment in value of investments	18,207	18,693
Loss / (gain) on disposal of property, plant and equipment	241	(269)
Operating profit before working capital changes	647,565	586,889
(Increase) in inventories	(4,280)	(7,347)
(Increase) / Decrease in accounts receivable	(42,683)	3,778
(Decrease) in payables to other international carriers (net)	(13,708)	(219)
(Decrease) / Increase in accounts payable	(16,660)	13,415
Movement in current account with The State of Qatar	(196,948)	120,935
NET CASH FROM OPERATING ACTIVITIES	373,286	717,451
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(201,838)	(46,440)
Increase in investments	(68,849)	(486)
Net proceeds from sale of property, plant and equipment	500	314
Investment and interest income	23,503	21,110
NET CASH USED IN INVESTING ACTIVITIES	(246,684)	(25,502)
FINANCING ACTIVITIES		
Dividends paid	(380,000)	(345,000)
NET CASH USED IN FINANCING ACTIVITIES	(380,000)	(345,000)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(253,398)	346,949
Cash and cash equivalents at 1 January	1,617,267	1,247,767
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,363,869	1,594,716

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 six months ended 30 June 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 six 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		Six months ended	
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
Interest income	8,157	9,528	16,158	18,589
Income from investment securities	6,045	1,021	7,345	2,521
TOTAL	14,202	10,549	23,503	21,110

3 DIVIDENDS

At the balance sheet date the following interim dividends were proposed and approved by the Board of Directors. The dividends have been provided for.

	Six months ended	
	30 June	30 June
	2003	2002
Interim dividends – QR 3.30 per share	330,000	-

Interim dividends relating to 2002 were approved subsequent to 30 June 2002. Final dividends of 380,000 relating to 2002 were paid during the period.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**for the six months ended 30 June 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		Six months ended	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
Profit for the period	311,530	249,364	579,800	518,629
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)	3.12	2.49	5.80	5.19

5 COMMITMENTS

As at 30 June 2003, future capital expenditure approved by the Board of Directors amounted to 1,494,868 (30 June 2002: 932,966), of which 316,560 (30 June 2002: 333,490) is committed.

As at 30 June 2003, the Company was party to forward exchange contracts to purchase SDR 6,334,000 (30 June 2002: SDR 4,073,000) over a future period upto eight 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 June 2003 amounted to 1,089 (30 June 2002: 1,982).

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 June 2003 (30 June 2002: 207,100).

c) Letters of credit

The Company's banks have issued letters of credit amounting to NIL as at 30 June 2003 (30 June 2002: 1,228).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2003

In thousands of Qatari Riyals

7 SEGMENTAL INFORMATION

2003	Three months ended 30 June 2003				Six months ended 30 June 2003			
	Wireline services	Wireless services	Other services	Total	Wireline services	Wireless services	Other services	Total
Revenue	<u>196,052</u>	<u>283,580</u>	<u>22,372</u>	<u>502,004</u>	<u>387,278</u>	<u>539,353</u>	<u>45,741</u>	<u>972,372</u>
Segmental results	123,828	228,062	9,660	361,550	238,469	430,640	16,502	685,611
Unallocated costs				(55,119)				(111,107)
OPERATING PROFIT				306,431				574,504
Other income				14,202				23,503
Provision for impairment of investments				(9,103)				(18,207)
NET PROFIT				311,530				579,800
2002	Three months ended 30 June 2002				Six months ended 30 June 2002			
	Wireline services	Wireless services	Other services	Total	Wireline services	Wireless services	Other services	Total
Revenue	<u>191,747</u>	<u>206,295</u>	<u>28,860</u>	<u>426,902</u>	<u>385,311</u>	<u>407,071</u>	<u>57,669</u>	<u>850,051</u>
Segmental results	120,006	168,470	11,048	299,524	247,996	332,184	22,773	602,953
Unallocated costs				(42,016)				(86,741)
OPERATING PROFIT				257,508				516,212
Other income				10,549				21,110
Provision for impairment of investments				(18,693)				(18,693)
NET PROFIT				249,364				518,629

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 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.