

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

**INTERIM CONDENSED FINANCIAL
STATEMENTS**

31 MARCH 2003

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

**INTERIM CONDENSED FINANCIAL STATEMENTS
for the three months ended 31 March 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 three months ended 31 March 2003 as set out on pages 3 to 8. The accompanying financial statements of Qatar Telecom (Q-TEL) Q.S.C., as at and for the period/year ended 31 March 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.

Date: 6th May 2003
Doha, State of Qatar

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

BALANCE SHEET
as at 31 March 2003

In thousands of Qatari Riyals

	31 March 2003 Reviewed	31 March 2002 Reviewed	31 December 2002 Audited
NET ASSETS EMPLOYED			
NON-CURRENT ASSETS			
Property, plant and equipment	1,102,360	951,685	1,078,254
Investment securities	<u>318,469</u>	<u>334,770</u>	<u>315,899</u>
TOTAL NON-CURRENT ASSETS	<u>1,420,829</u>	<u>1,286,455</u>	<u>1,394,153</u>
CURRENT ASSETS			
Inventories	52,339	36,335	49,973
Accounts receivable and prepayments	281,140	295,419	277,252
Amounts due from other international carriers	20,777	18,932	23,686
Cash and cash equivalents	<u>1,557,662</u>	<u>1,438,351</u>	<u>1,617,267</u>
TOTAL CURRENT ASSETS	<u>1,911,918</u>	<u>1,789,037</u>	<u>1,968,178</u>
CURRENT LIABILITIES			
Accounts payable and accruals	439,709	340,783	478,098
Amounts due to other international carriers	86,028	83,131	92,595
Current account with the State of Qatar	<u>465,142</u>	<u>658,222</u>	<u>354,406</u>
TOTAL CURRENT LIABILITIES	<u>990,879</u>	<u>1,082,136</u>	<u>925,099</u>
NET CURRENT ASSETS	<u>921,039</u>	<u>706,901</u>	<u>1,043,079</u>
NON-CURRENT LIABILITIES	<u>(103,374)</u>	<u>(75,019)</u>	<u>(98,681)</u>
NET ASSETS EMPLOYED	<u>2,238,494</u>	<u>1,918,337</u>	<u>2,338,551</u>
SHAREHOLDERS' FUNDS			
Share capital	1,000,000	1,000,000	1,000,000
Legal reserve	343,558	248,037	316,731
Proposed dividend	-	-	380,000
Retained earnings	847,023	652,030	605,580
Fair value reserve	<u>47,913</u>	<u>18,270</u>	<u>36,240</u>
TOTAL SHAREHOLDERS' FUNDS	<u>2,238,494</u>	<u>1,918,337</u>	<u>2,338,551</u>

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

The attached notes 1 to 6 form an integral part of the interim condensed financial statements.

STATEMENT OF INCOME
for the three months ended 31 March 2003

In thousands of Qatari Riyals

	Notes	Three months ended 31 March 2003 Reviewed	Three months ended 31 March 2002 Reviewed
REVENUE		470,368	423,150
EXPENSES			
Staff salaries and related expenses		57,285	48,288
Outpayments to other international carriers		44,019	37,187
Depreciation		38,260	32,778
General and administration expenses		29,563	15,957
Operating and maintenance expenses		23,873	17,977
Cost of equipment sold and other services		9,295	12,259
		202,295	164,446
OPERATING PROFIT FOR THE PERIOD		268,073	258,704
Other income	2	9,301	10,561
Provision for impairment of investments		(9,104)	-
NET PROFIT FOR THE PERIOD		268,270	269,265
EARNINGS PER SHARE – BASIC (expressed in QR per share)	3	2.68	2.69

The attached notes 1 to 6 form an integral part of the interim condensed financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS
for the three months ended 31 March 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	-	-	-	269,265	-	269,265
Transfer to legal reserve	-	26,927	-	(26,927)	-	-
Fair value adjustment at end of the period	-	-	-	-	(4,765)	(4,765)
As at 31 March	<u>1,000,000</u>	<u>248,037</u>	<u>-</u>	<u>652,030</u>	<u>18,270</u>	<u>1,918,337</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	-	-	-	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>

The attached notes 1 to 6 form an integral part of the interim condensed financial statements.

STATEMENT OF CASH FLOWS
for the three months ended 31 March 2003

In thousands of Qatari Riyals

	Three months ended 31 March 2003 Reviewed	Three months ended 31 March 2002 Reviewed
OPERATING ACTIVITIES		
Net profit for the period	268,270	269,265
Adjustments for:		
Depreciation	38,260	32,778
Investment and interest income	(9,301)	(10,561)
Provision for impairment in value of investments	9,104	-
Gain on disposal of property, plant and equipment	(6)	(2)
	<u>306,327</u>	<u>291,480</u>
Operating profit before working capital changes		
Increase in inventories	(2,366)	(3,757)
(Increase) / Decrease in accounts receivable	(3,888)	26,448
(Decrease) / Increase in payables to other international carriers (net)	(3,659)	3,380
(Decrease) / Increase in accounts payable	(33,696)	1,950
Movement in current account with the State of Qatar	110,736	224,150
	<u>373,454</u>	<u>543,651</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(62,438)	(18,234)
Increase in investments	-	(426)
Net proceeds from sale of property, plant and equipment	78	32
Investment and interest income	9,301	10,561
	<u>(53,059)</u>	<u>(8,067)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Dividends paid	(380,000)	(345,000)
	<u>(380,000)</u>	<u>(345,000)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH FLOWS FOR THE PERIOD	(59,605)	190,584
Cash and cash equivalents as at 1 January	<u>1,617,267</u>	<u>1,247,767</u>
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	<u>1,557,662</u>	<u>1,438,351</u>

The attached notes 1 to 6 form an integral part of the interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
for the three months ended 31 March 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 three months' results reported in these interim condensed financial statements may not represent a proportionate share of the overall annual income.

2 OTHER INCOME

	2003	2002
Interest income	8,001	9,061
Income from investment securities	1,300	1,500
TOTAL	9,301	10,561

3 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:

	2003	2002
Profit for the period	268,270	269,265
Weighted average number of shares outstanding during the period	100,000	100,000
Earnings per share (expressed in QR per share)	2.68	2.69

4 COMMITMENTS

As at 31 March 2003, future capital expenditure approved by the Board of Directors amounted to 1,414,500 (2002: 961,545), of which 190,578 (2002: 293,036) is committed.

As at 31 March 2003, the Company was party to forward exchange contracts to purchase SDR 9,588,000 (2002: SDR 5,031,000) 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
for the three months ended 31 March 2003

In thousands of Qatari Riyals

5 CONTINGENT LIABILITIES

a) Claims

Claims against the Company not acknowledged as debts as at 31 March 2003 amounted to 1,121 (2002: 1,782).

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 31 March 2003 (2002: 218,000).

c) Letters of credit

The Company's banks have issued letters of credit amounting to NIL as at 31 March 2003 (2002: 3,281).

6 SEGMENTAL INFORMATION

2003	Wireline services	Wireless services	Other services	Total
Revenue	191,226	255,773	23,369	470,368
Segmental results	114,641	202,578	6,842	324,061
Unallocated costs	-	-	-	(55,988)
OPERATING PROFIT				268,073
Other income	-	-	-	9,301
Provision for impairment of investments	-	-	-	(9,104)
NET PROFIT				268,270
2002	Wireline services	Wireless services	Other services	Total
Revenue	193,564	200,777	28,809	423,150
Segmental results	127,990	163,714	11,725	303,429
Unallocated costs	-	-	-	(44,725)
OPERATING PROFIT				258,704
Other income	-	-	-	10,561
Provision for impairment of investments	-	-	-	-
NET PROFIT				269,265