

FITCH ASSIGNS QATAR TELECOM AN 'A+' RATING

Fitch Ratings-London/Istanbul-15 December 2008: Fitch Ratings has today assigned Doha-based Qatar Telecom (Qtel) a Long-term foreign currency Issuer Default Rating (IDR) and senior unsecured rating of 'A+', respectively. The agency has simultaneously assigned Qtel's Long-term IDR a Stable Outlook.

The rating reflects Qtel's strong operational and strategic ties with the Qatar government which, either directly or via the Qatar Investment Authority (QIA), owns a 55% stake in Qtel. The rating factors in assumed government support for the company in line with Fitch's criteria for parent and subsidiary rating linkages. Government involvement in both the formulation and execution of the company's strategy underpins Qtel's position as a national flag carrier and strategic asset. The agency understands the Qatar government fully backs the company's expansion plans and supports its existing business. If the State of Qatar reduces (directly or indirectly) its control and majority holding in Qtel's share capital, it would have a negative impact on Qtel's rating. Fitch would also view any potential acquisition as an event risk, in line with its rating methodology.

Fitch notes Qtel's leverage is high for the rating category, but the major offsetting factor is state support as well as equity injections by willing shareholders. Fitch also notes that the Qtel board approved a guideline target ratio of net debt to consolidated EBITDA at 2.5x-3x, with a maximum post-acquisition spike to 3.5x. Qtel's focus on expansion in the MENA region, Indian subcontinent as well as South East Asia, within the confines of the target leverage metrics as well as direct support from the State of Qatar, is factored into the current rating. The rating also assumes Qtel's Qatar operations share in consolidated EBITDA will decline to 21% by 2010, based on management expectations. Fitch expects that 70% of consolidated EBITDA will originate from Qtel's three core markets of Indonesia, Kuwait and Qatar by 2010. The rating also considers potential regulatory and competitive challenges in the domestic market, as well as execution risk related to Indosat, a Qtel subsidiary.

Fitch's calculation of net debt to EBITDA is expected to decline at FY08E by 0.6x from 3.6x at FY07, in large part due to the successful rights issue of USD1.6bn and impressive year-on-year growth in EBITDA. Currently, almost all of Qtel's operating subsidiaries are self-funded, with limited support from the parent company. 60% of total debt is located at the parent level in the form of term loans and revolving credit facilities. Qtel maintains management control over its subsidiaries such as Wataniya and Indosat, that are fully consolidated within group accounts.

Qatar Telecom is the incumbent and currently sole telecom operator in the Qatar's domestic market across fixed, mobile and internet, but will face competition from Vodafone Group Plc ('A-'((A minus))/Outlook Stable) with Qatar's second mobile telecom licence to be launched by H12009. Qtel has a 51% stake in the Kuwait-based mobile operator Wataniya Telecom (NMTC). Qtel is also Indosat's largest shareholder with a 40.81% stake and there is a tender offer currently under discussion with the Indonesian authorities.

Please see the 19 June 2007 report, entitled "Parent And Subsidiary Rating Linkage (Fitch's Approach to Rating Entities within a Corporate Group Structure)", for further information on parent and subsidiary rating linkages. The report is available on the agency's subscriber website, www.fitchresearch.com.

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