



QTEL INTERNATIONAL FINANCE LIMITED

(an exempted company with limited liability incorporated in Bermuda under the Companies Act 1981)

U.S.\$3,000,000,000

Global Medium Term Note Programme unconditionally and irrevocably guaranteed by QATAR TELECOM (QTEL) Q.S.C.

(a Qatari shareholding company incorporated with registration number 21183 under Qatari law no. 21 of 1998)

Under this U.S.\$3,000,000,000 Global Medium Term Note Programme (the “**Programme**”), Qtel International Finance Limited (the “**Issuer**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Qatar Telecom (Qtel) Q.S.C. (the “**Guarantor**” and “**Qtel**”).

Notes may be issued in bearer or registered form (respectively, “**Bearer Notes**” and “**Registered Notes**”).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer(s) appointed under the Programme from time to time by the Issuer and Qtel (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this base prospectus (“**Base Prospectus**”) to the “**relevant Dealer(s)**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers who have agreed to subscribe to such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the abilities of the Issuer and Qtel to fulfil their respective obligations under the Notes see “Risk Factors” beginning on page 20.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC, as amended (the “**Prospectus Directive**”). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (“**EU**”) law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the “**Official List**”) and to trading on its regulated market (the “**Main Securities Market**”). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (“**MiFID**”) and/or which are to be offered to the public in any member state of the European Economic Area.

References in this Base Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Main Securities Market and have been admitted to the Official List or have been admitted to trading on such further stock exchanges or markets as may be specified in the applicable Final Terms (defined below). The Main Securities Market is a regulated market for the purposes of MiFID.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the “**Final Terms**”) which, with respect to Notes to be listed on the Irish Stock Exchange, will be delivered to the Irish Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, Qtel and the relevant Dealer(s). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Neither the Notes nor the Guarantee (as defined in “*Terms and Conditions of the Notes*”) have been or will be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act (“**Regulation S**”). The Notes may be offered and sold (i) within the United States only to qualified institutional buyers (each, a “**QIB**”) within the meaning of, and pursuant to, Rule 144A under the Securities Act (“**Rule 144A**”) in reliance on the exemption from registration under Section 5 of the Securities Act provided by Rule 144A or on another exemption therefrom and (ii) to non US persons in offshore transactions as defined in, and in reliance on, Regulation S. See “*Form of the Notes*” for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer. See “*Subscription and Sale and Transfer and Selling Restrictions*”.

The Issuer and Qtel may agree with any Dealer(s) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The rating of certain Series (as defined under “*Overview of the Programme*”) of Notes to be issued under the Programme and the credit rating agency issuing such rating may be specified in the applicable Final Terms. Qtel has been assigned ratings of A2 by Moody’s Investors Service Ltd (“**Moody’s**”), A+ by Fitch Ratings Limited (“**Fitch**”) and A by Standard & Poor’s Credit Market Services Europe Limited, a division of The McGraw-Hill Companies, Inc. (“**S&P**”), each with stable outlook. Each of Fitch, Moody’s and S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009, as amended (the “**CRA Regulation**”). **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Arrangers and Dealers

**Barclays
Mitsubishi UFJ Securities
Morgan Stanley**

**HSBC
Mizuho Securities
QNB Capital**

The date of this Base Prospectus is 7 December 2012.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the “**Prospectus Directive**”) and for the purpose of giving information with regard to the Issuer, Qtel, the Group (as defined herein) and the Notes which, according to the particular nature of the Issuer, Qtel, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Qtel.

Each of the Issuer and Qtel accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and Qtel (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Copies of the Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined herein).

Certain information under the heading “*Book Entry Clearance Systems*” has been extracted from information provided by the clearing systems referred to therein.

Certain information under the heading “*Overview of Qatar*” has been extracted from information provided or obtained by the Qatar Central Bank’s website and Quarterly Statistical Bulletin and the Government census and, in each case, the relevant source of such information is specified where it appears under this heading.

Each of the Issuer and Qtel confirms that all third party information contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer or Qtel in connection with the Programme. No Dealer accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer or Qtel in connection with the Programme.

The only persons authorised to use this Base Prospectus in connection with an offer of Notes are the relevant Dealer(s) or the Managers, as the case may be.

No person is or has been authorised by the Issuer or Qtel to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any other information supplied by the Issuer or Qtel or such other information as is in the public domain in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, Qtel or any of the Dealers.

Neither this Base Prospectus, any Final Terms nor any other information supplied in connection with the Programme or any Notes: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer, Qtel or any of the Dealers that any recipient of this Base Prospectus, any Final Terms or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or Qtel. Neither this Base Prospectus, any Final Terms nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, Qtel or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus, any Final Terms nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or Qtel is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake

to review the financial condition or affairs of the Issuer or Qtel throughout the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, Qtel and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, Qtel or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer, sale and transfer of Notes in Bermuda, the Dubai International Financial Centre, the European Economic Area (including the United Kingdom), Japan, the Kingdom of Bahrain, Saudi Arabia, the State of Qatar ("**Qatar**"), Switzerland and the United Arab Emirates (excluding the Dubai International Financial Centre) and the United States of America. See "*Subscription and Sale and Transfer and Selling Restrictions*".

Securities may be offered or sold in Bermuda only in compliance with the provisions of the Companies Act 1981, as amended, the Investment Business Act 2003, the Exchange Control Act 1972 and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific permission is required from the Bermuda Monetary Authority (the "**BMA**"), pursuant to the provisions of the Exchange Control Act 1972 and related regulations for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission.

The BMA, in its policy dated 1 June 2005, provides that, in respect of a Bermuda company which does not have any equity securities (an equity security is defined as a share issued by a Bermuda company which entitles the holder to vote for or appoint one or more directors or a security which by its terms is convertible into a share which entitles the holder to vote for or appoint one or more directors) listed on an appointed stock exchange (which the Issuer does not), general permission is given for the issue and subsequent transfer of any securities, other than equity securities, from and/or to a non-resident of Bermuda. The general permission does not apply to securities held in bearer form. The BMA has granted specific permission to the Issuer for: (i) the issue of the Notes to "Qualified Institutional Buyers" (as defined in Rule 144A promulgated under the Securities Act in compliance with Rule 144A) and "Accredited Investors" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act in the United States; and outside the United States pursuant to and in reliance on Regulation S under the Securities Act and in accordance with local securities laws and regulations, in all cases with a minimum Note denomination of €100,000; and (ii) the free transferability of Notes so long as the Notes are admitted to the Official List of the Irish Stock Exchange or any other Appointed Stock Exchange (as defined in the Companies Act 1981); and the free transferability of the Notes if not so listed in accordance with local securities laws and regulations, in all cases with a minimum Note denomination of €100,000.

The BMA consent referred to above covers the issue and free transferability of the Notes being offered by the Issuer pursuant to this Base Prospectus but not any supplement thereto. The Issuer has also obtained a direction from the Minister of Finance of Bermuda that Part III and Section 35 of Part IV of the Companies Act 1981 of Bermuda relating to the offering of the Notes shall not apply to the offering of the Notes under the Programme, **provided that** they are only offered, up to the maximum aggregate nominal amount, to "Qualified Institutional Buyers" (as

defined in Rule 144A under the Securities Act in compliance with Rule 144A) and “Accredited Investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act in the United States; and (ii) outside the United States pursuant to and in reliance on Regulation S under the Securities Act and in accordance with local securities laws and regulations, in all cases with a minimum Note denomination of €100,000. The BMA, the Minister of Finance of Bermuda and the Registrar of Companies accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this Base Prospectus or in any prospectus supplement.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as supplemented and completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as of the date of issue of the Notes).

The Notes may not be a suitable investment for all investors. Each potential investor in Notes must determine the suitability of an investment in the Notes in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact that such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes, including where principal and interest are payable in one or more currencies, or where the currency for principal or interest payments is different from an investor’s home currency;
- understand thoroughly the terms of the Notes which are complex financial instruments and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They generally purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in an issue of Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact that such an investment will have on the potential investor’s overall investment portfolio.

In making an investment decision, investors must rely on their own, independent examination of the Issuer and Qtel and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

None of the Dealers, the Issuer or Qtel makes any representation to any investor regarding the legality of its investment under any applicable laws. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Legal investment considerations may restrict the ability of certain investors to make investments in the Notes. The investment activities of certain investors are subject to legal investment laws and regulations or review and regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes by the investor. Financial institutions should consult their legal advisors or the appropriate regulator to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules and regulations.

U.S. INFORMATION

Registered Notes may be offered or sold within the United States only to “qualified institutional buyers” within the meaning of Rule 144A of the Securities Act (“**QIBs**”) or to “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (“**Institutional Accredited Investors**”), in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“**Rule 144A**”).

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under “*Terms and Conditions of the Notes*”). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together “**Legended Notes**”) will be required or deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes, as set out in “*Subscription and Sale and Transfer and Selling Restrictions*”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of the Notes*”.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, each of the Issuer and the Guarantor has undertaken in a deed poll dated 7 December 2012 (the “**Deed Poll**”) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and it is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

NOTICE TO BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Base Prospectus may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (“**CBB**”) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 (or equivalent in other currencies).

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (Decree Law No. 64 of 2006). The offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material

be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain.

The CBB has not reviewed or approved the offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO QATARI RESIDENTS

This Base Prospectus does not and is not intended to constitute an offer, sale or delivery of notes or other debt financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or Qatar Central Bank. The Notes are not and will not be traded on the Qatar Exchange.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia ("**Saudi Arabia**") except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Notes issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

Pursuant to Internal Revenue Service Circular 230, investors are hereby informed that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any investor for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the promotion or marketing of the Notes. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer

The Issuer is incorporated under the laws of Bermuda. All or a substantial portion of the assets of the Issuer are located outside the United States. As a result, an investor may not be able to effect service of process outside Bermuda upon the Issuer, or its directors and officers or to enforce court judgments obtained against the Issuer, or its directors and officers in jurisdictions outside of Bermuda predicated upon civil liabilities of the Issuer under laws other than Bermuda law, including any judgment predicated upon United States federal securities laws.

There is no treaty in force between the United States and Bermuda providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. As a result, whether a United States judgment would be enforceable in Bermuda against the Issuer or its directors and officers depends on whether the U.S. court that entered the judgment is recognised by the Bermuda court as having jurisdiction over the Issuer or its directors and officers, as determined by reference to Bermuda conflict of law rules. A judgment debt from a U.S. court that is final and for a certain sum based on U.S. federal securities laws will not be enforceable in Bermuda unless the judgment debtor had submitted to the jurisdiction of the U.S. court, and the issue of submission and jurisdiction is a matter of Bermuda (not United States) law.

In addition to and irrespective of jurisdictional issues, the Bermuda courts will not enforce a United States federal securities law that is either penal or contrary to the public policy of Bermuda. An action brought pursuant to a public or penal law, the purpose of which is the enforcement of a sanction, power or right at the instance of the state in its sovereign capacity, will not be entertained by a Bermuda court. Certain remedies available under the laws of U.S. jurisdictions, including certain remedies under U.S. federal securities laws, will not be available under Bermuda law or enforceable in a Bermuda court, as they would be contrary to Bermuda public policy. Further, no claim may be brought in Bermuda against the Issuer or its directors and officers in the first instance for violations of U.S. federal securities laws because these laws have no extraterritorial jurisdiction under Bermuda law and do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability on the Issuer or its directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

No stamp duty or similar or other tax or duty is payable in Bermuda on the enforcement of a foreign judgment. Court fees will be payable in connection with proceedings for enforcement.

Qtel

Qtel is a Qatari shareholding company incorporated under the laws of Qatar. All of its officers and directors named herein reside outside the United States and all or a substantial portion of the assets of Qtel and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Qatar upon Qtel or such persons, or to enforce judgments against them obtained in courts outside Qatar predicated upon civil liabilities of Qtel or such directors and officers under laws other than Qatari law, including any judgment predicated upon United States federal securities laws.

There is currently no treaty or convention for the reciprocal enforcement of judgments between Qatar on the one hand and the United States on the other. A judgment obtained from a court in the United States will be enforceable in Qatar subject to the provisions of Articles 379 and 380 of Law No. (13) of 1990 (the “**Civil and Commercial Procedure Law**”), which provides, in the case of Article 379, that judgments and orders pronounced in a foreign jurisdiction may be ordered to be executed in Qatar upon the conditions determined in that jurisdiction for the execution of Qatari judgments and orders and provides, in the case of Article 380, that an order for execution of a foreign judgment or order will not be made unless and until the following have been ascertained, that: (a) the judgment or order was delivered by a competent court of the foreign jurisdiction in question; (b) the parties to the action were properly served with notice of proceedings and properly represented; (c) the judgment or order is one that is capable of being executed by the successful party to the proceedings in conformity with the laws of the foreign jurisdiction in question; and (d) the foreign judgment or order does not conflict with a previous judgment or order of a competent Qatari court and is not contrary to public policy or morality in Qatar.

A Qatari court would be entitled to call for textual evidence on the laws of the foreign jurisdiction concerning the conditions that would be applicable for the execution of the judgment of a Qatari court in that jurisdiction and the Qatari court would then be entitled to execute the judgment of

the foreign jurisdiction upon those conditions. Accordingly, although a judgment obtained from a court in the United States would be admissible in evidence in any proceedings brought in Qatar, in order to enforce such judgment, it would still be necessary to initiate proceedings in Qatar.

The Notes and the Guarantee are governed by English law and disputes in respect of them may be settled under the LCIA Rules in London, England. In addition, actions in respect of the Notes and the Guarantee may be brought in the English courts at the option of the Noteholders. See *"Risk Factors-Risks Relating to Enforcement – It may be difficult to enforce arbitration awards and foreign judgments against the Issuer"* and *"Risk Factors – Risks Relating to Enforcement – It may be difficult to enforce arbitration awards and foreign judgments against Qtel"*.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information and Other Information. Unless otherwise indicated, the financial information set out in this Base Prospectus has been derived from:

- (i) the unaudited interim condensed consolidated financial statements of Qtel and its consolidated subsidiaries (the **"Group"**) as of and for the nine months ended 30 September 2012 that are set out on pages F-310 to F-339 of this Base Prospectus. The unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting;
- (ii) the audited consolidated financial statements of the Group as of and for the years ended 31 December 2009, 2010 and 2011 that are set out on pages F-38 to F-309 of this Base Prospectus (the **"Consolidated Financial Statements"**). These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**) issued by the International Accounting Standards Board; and
- (iii) the audited financial statements of the Issuer as of and for the years ended 31 December 2009, 2010 and 31 December 2011 that are set out on pages F-2 to F-37 of this Base Prospectus. These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board.

Reclassification of comparative information

Each year, certain comparative figures are reclassified or regrouped to conform to the presentation of the latest consolidated financial statements. For example: in 2011, certain figures related to 2010 were reclassified to conform presentation with 2011 figures, in such cases, those numbers should be read in conjunction with 2011 consolidated financial statements' comparative information. However, such reclassifications did not have any effect on the net profit, total assets and equity of the comparative year or period.

Restatement of comparative information

- a. As discussed in note 20 (i) of the Group's unaudited interim condensed consolidated financial statements for the period ended 30 September 2012, in relation to the acquisition of Tunisiana S.A. by Wataniya, the Group finalised the purchase price allocation in December 2011. Consequently the provisional amortisation of the purchase price allocation intangibles and related net profit for the nine months period ended 30 September 2011 has been restated as follows:

<i>Unaudited Interim condensed consolidated income statement</i>	As previously reported	Restatement impact	As restated
		In QR million	
Depreciation and amortization.....	5,518.0	(372.67)	5,145.4
Net profit for the period.....	4,670.3	372.7	5,043.0
<i>Net profit attributable to:</i>			
Shareholders of the Parent	2,002.6	146.7	2,149.3
Non-controlling interests	2,667.7	225.9	2,893.6

- b. As discussed in note 6 of the Group's unaudited interim condensed consolidated financial statements for the period ended 30 September 2012, the Group issued bonus shares and had rights issue of shares. Accordingly, the previously reported earnings per share for all periods presented in this Base Prospectus have been restated.

Basic and Diluted earnings per share (expressed in QR per share)

	2009	2010	2011
Previously reported.....	19.26	16.41	14.8
As restated.....	10.74	10.98	9.90

As discussed in note 7 of the unaudited interim condensed consolidated financial statements for the period ended 30 September 2012, one of the Group's subsidiaries PT Indosat TBK completed a sale and leaseback transaction in 2012 for its 2,500 telecommunication towers with another company in Indonesia for a total consideration of QR1,478.4 million (U.S.\$ 406.2 million) and recognised an overall gain of QR837.5 million (U.S.\$ 230.1 million) on this transaction. The subsidiary, PT Indosat TBK is in the process of assessing final impact of this transaction in accordance with International Accounting Standards 17, "Leases".

Certain figures contained in this Base Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Base Prospectus may not conform exactly to the total figure given for that column or row. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

In this Base Prospectus:

- **"euro"** or **"€"** refers to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to Article 123 of the treaty establishing the European Community, as amended;
- **"BMD"** refers to the lawful currency of Bermuda;
- **"Indonesian rupiah"**, **"IDR"** or **"Rp"** refers to the lawful currency of the Republic of Indonesia (**"Indonesia"**);
- **"Iraqi Dinars"** or **"IQD"** refers to the lawful currency of Iraq;
- **"Kuwaiti Dinars"** or **"KD"** refers to the lawful currency of Kuwait;
- **"Qatari Riyal"** or **"QR"** refers to the Qatari Riyal, the lawful currency of Qatar;
- **"United States"** or the **"U.S."** refers to the United States of America;
- **"U.S. dollars"**, **"USD"** or **"U.S.\$"** refers to the lawful currency of the United States of America;
- **"QR m"** refers to Qatari Riyals in millions; and
- **"U.S.\$ m"** refers to U.S. dollars in millions.

Exchange rates

The Group presents its consolidated financial statements in Qatari Riyals. The Qatari Riyal is, and since the mid-1980s has been, pegged to the U.S. dollar at a fixed exchange rate of QR3.64 = U.S.\$1.00 and, accordingly, translations of amounts from Riyals to U.S. dollars have been made at this exchange rate for all periods in this Base Prospectus.

The following table sets out for the dates indicated U.S. dollar exchange rates of the other principal currencies of the Group, which are the Indonesian Rupiah and Kuwaiti Dinars, on 30 September 2011 and 2012 and 31 December 2009, 2010 and 2011 (based on the mid-market rate reported by Bloomberg). On 6 December 2012 the midmarket rate for exchange between U.S. dollars and Indonesian Rupiah, as reported by Bloomberg, was Rp9610 to U.S.\$1.00 and the mid-market rate for exchange between U.S. dollars and Kuwaiti Dinars, as reported by Bloomberg, was KD0.281 to U.S.\$1.00.

	31 December			30 September	
	2009	2010	2011	2011	2012
Currency (=U.S.\$1.00)					
Indonesian Rupiah	9480	8979	9143	8913	9590
Kuwaiti Dinars.....	0.287	0.281	0.278	0.285	0.281
Iraqi Dinars	1169	1169	1169	1169	1165

Solely for the convenience of the reader, certain financial information as at 30 September 2011 and 2012 and 31 December 2009, 2010 and 2011 has been translated into U.S. dollars at the conversion rates quoted by Bloomberg at such dates and as set out above. There can be no assurance that members of the Group outside Qatar converted, or could have converted, amounts in local currency into U.S. dollars at the conversion rates at which amounts have been translated in this Base Prospectus.

Non-IFRS Measures

Adjusted EBITDA

Adjusted earnings before interest, taxes, depreciation and amortisation ("**Adjusted EBITDA**") is a measure used by the Group's management to measure operating performance. Adjusted EBITDA equals earnings before interest, taxes, depreciation and amortisation excluding the effects of royalties and other statutory fees and certain other income and expenses that are considered to be non-operating. For a reconciliation of Adjusted EBITDA to profit for the period, see "*Selected Historical Consolidated Financial Information of the Group*". Adjusted EBITDA is not a recognised measure under IFRS or US generally accepted accounting principles ("**U.S. GAAP**") and does not purport to be an alternative to profit after tax from continuing operations as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow available for management's discretionary use, as the measure does not consider certain cash requirements such as interest payments, tax payments, debt service requirements and capital expenditures. Qtel believes that Adjusted EBITDA provides useful information to investors and is helpful in highlighting trends because it excludes the results of certain decisions that are outside the control of operating management and can differ significantly from company to company depending on long term strategic decisions regarding capital structure, its stage of growth development, its capital expenditure requirements, the jurisdictions in which certain companies operate and capital investments. As not all companies use identical calculations, these presentations of Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies. Adjusted EBITDA may not be indicative of the Group's historical operating results presented in accordance with IFRS. Adjusted EBITDA is not subject to audit or review by any independent auditors.

Industry, Market and Customer Data

The customer data included in this Base Prospectus, including penetration rates, average revenue per user rates ("**ARPU**"), churn rates and market shares are derived from management estimates of such customer data for the Group and its subsidiaries. The Group's use or computation of these terms, such as ARPU, may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry, including the Group's subsidiaries' competitors. How the Group's four principal operating companies calculate their number of customers, churn and ARPU is described in more detail below. In addition, as each of the Group's operating companies calculate churn and ARPU differently, the Group does not present in this Base Prospectus its churn rate or ARPU on a consolidated basis and thus these figures are not directly comparable. See "*Presentation of Financial and other Information – Industry, Market and Customer Data – Customers*" and "*Management's Discussion and Analysis of Financial Conditions and Results of Operations – Factors Affecting Financial Condition and Results of Operations*".

Customers

Mobile customers who pay in advance of services provided are counted as "prepaid" customers and mobile customers who pay periodically following the provision of services are counted as "postpaid" customers. The rate at which mobile customers are disconnected from a network or

are removed from an operating company's customer count due to inactivity, is referred to as the company's "churn" rate. For all of the Group's operating companies, a mobile customer is counted from the date of the activation of such mobile customer's subscriber identity module card ("**SIM card**").

As discussed elsewhere in this Base Prospectus, the Group has expanded its operations significantly in recent years, primarily through acquiring established telecommunications companies in the Middle East, North Africa, the Asian Subcontinent and Asia Pacific regions. Because each such company calculates its mobile customer numbers in accordance with its historical practices, which is in turn primarily a function of market conditions and requirements in the country in which it operates, the Group's operating companies do not prepare their mobile customer numbers on a consistent basis. The Group's four principal operations calculate their mobile customer numbers as follows:

- Qtel does not count postpaid customers as customers if they have any outstanding balance remaining more than 120-145 days after their last statement date and no longer considers prepaid customers to be customers if they have not recharged their SIM card within 90 days of its validity date by adding certain minimum amounts to it.
- Indosat does not count postpaid customers as customers if they have any outstanding balance remaining more than 120 days after their last statement date (depending on the tariff plan) and no longer considers prepaid customers to be customers if they have not recharged their SIM card within 33 days of the grace period immediately following the SIM card's expiry date by adding certain minimum amounts to it.
- The Group's Kuwaiti operations do not count postpaid customers as customers if they have any outstanding balance remaining more than 150 days after their last statement date and no longer considers prepaid customers to be customers if they have not recharged their SIM card within 100 days of its expiry date by adding certain minimum amounts to it.
- Asiacell Communications PJSC ("**Asiacell**") no longer considers prepaid customers to be customers if they have not had any chargeable activities within the last 90 days.

The Group calculates churn by dividing the number of voluntary and involuntary deactivations in a given period by the number of customers for the same period. However, certain of its operating companies do not calculate churn and the Group's Kuwaiti operations divides by the average number of customers in a given period. Asiacell considers customers as churners if they change their activation status from disable to pool. See "*Management's Discussion and Analysis of Financial Conditions and Results of Operations – Factors Affecting Financial Condition and Results of Operations – Churn*".

Fixed line customers, for which the Group only provides services in Qatar, Indonesia and Oman (which was recently launched), are calculated by the number of active lines at the end of the period. In general, a customer is no longer counted as a customer if they have not made a payment on an outstanding balance within approximately 60 days.

The Group calculates proportionate customers by multiplying each operating company's total number of customers by the Group's economic interest in that operating company.

ARPU

The Group believes that ARPU provides useful information concerning the appeal and usage patterns of the Group's rate plans and service offerings and the Group's performance in attracting and retaining high-value customers. The Group's operating companies all calculate ARPU by dividing the recurring revenue, including airtime and interconnection revenue, for a given period by the average number of customers for that period. The average number of customers is the sum of the total number of customers at the beginning of the period and the number of customers at the end of the period divided by two. However, each of the Group's operating companies defines recurring revenue in slightly different ways. Qtel includes all connection charges and other one-time charges in recurring revenue, but excludes device and accessory revenue. Indosat includes all recurring prepaid and postpaid cellular services revenues (usage charges, value-added service, interconnection revenues and monthly subscription charges) but excludes nonrecurring revenues such as activation fees and special auctions of telephone numbers. In Kuwait, all recurring revenue is included but network visitor roaming charges are excluded. Asiacell, on the other hand, includes roaming revenue in recurring revenues for the purposes of calculating ARPU. See "*– Industry, Market and Customer Data*".

Market Share

In certain of the Group's markets, the Group's subsidiaries' market share data and that of their competitors has been calculated based on available information released by the Group's competitors in the markets in which the Group operates. Undue reliance should not be placed on market share data because of differences in the dates as of which such data is made available in each market by the Group's various companies and because the Group cannot verify the information provided by its competitors.

No Representation or Warranty

Market data and certain industry data, forecasts and statements regarding the Group's position in the telecommunications industries in its various markets made in this Base Prospectus are based on Qtel's own internal estimates and, in some cases, on industry data collected by the relevant national regulator or the industry. While Qtel believes the statements contained in this Base Prospectus, including customer and share information, to be reliable and to provide fair and adequate estimates of the size of its markets and fairly reflect the Group's competitive position within those markets, these statements have not been independently verified and Qtel does not make any representation or warranty as to the accuracy or completeness of such information set forth in this Base Prospectus.

In addition, Qtel has made statements in this Base Prospectus regarding the telecommunications industry, the markets in which subsidiaries operate, its operating subsidiaries' position in the industry and the market shares of various industry participants based on Qtel's experience and Qtel's own investigation of market conditions (in particular, based on its internal data collected from its subsidiaries' networks, monitoring traffic and customer activations). Qtel cannot assure you that any of its assumptions are accurate or correctly reflect Qtel's subsidiaries' position in the industry and none of Qtel's internal surveys or information has been verified by any independent sources.

The customer, churn, ARPU and market share data contained in this Base Prospectus are not part of the Group's financial statements or financial accounting records and have not been audited or otherwise reviewed by external auditors, consultants or independent experts.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Base Prospectus includes forward looking statements. The words "**anticipate**", "**believe**", "**expect**", "**plan**", "**intend**", "**target**", "**aim**", "**estimate**", "**project**", "**will**", "**would**", "**may**", "**could**", "**continue**" and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding Qtel's or, as the case may be, the Group's financial position, business strategy, management plans and objectives for future operations, are forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause Qtel's or, as the case may be, the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward looking statements. These forward looking statements are based on numerous assumptions regarding Qtel's or, as the case may be, the Group's present and future business strategies and the environment in which it expects to operate in the future. Important factors that could cause Qtel's or, as the case may be, the Group's actual results, performance or achievements to differ materially from those in the forward looking statements include, among other factors referenced in this Base Prospectus:

- changes in economic, financial and political conditions in markets served by operations of the Group that would adversely affect the level of demand for telecommunications services;
- changes in exchange rates, including particularly the exchange rates of the Indonesian Rupiah and the Kuwaiti Dinar to the U.S. dollar;
- removal or adjustment of the peg between the U.S. dollar and the Qatari Riyal;
- greater than anticipated competitive activity, from both existing competitors and new market entrants;
- the impact of investment in network capacity and the deployment of new technologies, or the rapid obsolescence of existing technology;

- the effects of, and changes in laws, regulations or governmental policy affecting the Group's business activities;
- slower than expected customer growth and reduced customer retention;
- changes in the spending patterns of new and existing customers;
- any unfavourable conditions, regulatory or otherwise, imposed in connection with pending or future acquisitions or dispositions and the integration of acquired companies into the Group's existing operations;
- the Group's ability to obtain and maintain necessary regulatory approvals and licences for its businesses;
- the Group's ability to stabilise churn and ARPU; and
- changes in tax legislation in the jurisdictions in which the Group operates.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Forward looking statements speak only as of the date of this Base Prospectus and Qtel expressly disclaims any obligation or undertaking to publicly update or revise any forward looking statements in this Base Prospectus to reflect any change in Qtel's expectations or any change in events, conditions or circumstances on which these forward looking statements are based. Given the uncertainties of forward looking statements, Qtel cannot guarantee that projected results or events will be achieved and cautions potential investors not to rely on these statements.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) in the relevant subscription agreement (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

CONTENTS

	Page
OVERVIEW OF THE PROGRAMME	15
RISK FACTORS	20
SUPPLEMENTS	43
FORM OF THE NOTES.....	44
APPLICABLE FINAL TERMS.....	48
TERMS AND CONDITIONS OF THE NOTES	54
USE OF PROCEEDS	83
CAPITALISATION OF THE GROUP	84
BUSINESS DESCRIPTION OF THE ISSUER.....	85
SELECTED HISTORICAL FINANCIAL INFORMATION OF THE ISSUER.....	87
SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP	89
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	93
BUSINESS DESCRIPTION OF THE GROUP.....	115
MANAGEMENT	142
OVERVIEW OF QATAR	150
BOOK ENTRY CLEARANCE SYSTEMS.....	153
TAXATION.....	157
CERTAIN ERISA AND OTHER CONSIDERATIONS.....	168
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS.....	169
GENERAL INFORMATION.....	179
INDEX TO FINANCIAL INFORMATION	F-1

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, is supplemented and completed by the applicable Final Terms. The Issuer, Qtel and any relevant Dealer(s) may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes, in which event, in the case of listed Notes only and, if appropriate, a supplemental prospectus will be published.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer: Qtel International Finance Limited is an exempted company with limited liability incorporated in Bermuda under the Companies Act 1981 on 8 May 2009 (with registered number 43194), having its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, telephone number +1 441 295 2244.

The Issuer is a special purpose entity which has been established to raise capital by the issue of Notes. See "*Business Description of the Issuer*".

Guarantor: Qatar Telecom (Qtel) Q.S.C. ("**Qtel**") is a Qatari shareholding company incorporated with registration number 21183 under Qatari Law No. 21 of 1998, having its registered office at 100 West Bay, P.O. Box 217, Doha, Qatar, telephone number +974 4440 4462.

Qtel's primary business activity centres around the operation of mobile telecommunications networks and other telecommunications services directly and through various consolidated subsidiaries in 16 markets in the MENA, the Asian Subcontinent and the Asia Pacific regions. See "*Business Description of the Group*".

Description: Global Medium Term Note Programme.

Initial Programme Amount: Up to U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time.

The Issuer and Qtel may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. There are also certain factors that may affect Qtel's ability to fulfil its obligations under the Guarantee.

In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These include certain risks relating to the structure of a particular Series of Notes and certain market risks.

See "*Risk Factors*".

Arrangers: Barclays Bank PLC, HSBC Bank plc, Mitsubishi UFJ Securities International plc, Mizuho Securities USA Inc., Morgan Stanley & Co. International plc and QNB Capital LLC.

Dealers: Barclays Bank PLC, HSBC Bank plc, Mitsubishi UFJ Securities International plc, Mizuho Securities USA Inc., Morgan Stanley & Co. International plc and QNB Capital LLC and any other Dealer(s) appointed from time to time by the Issuer and Qtel in accordance with the terms of the Programme Agreement.

Certain Restrictions:

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time, including the following restrictions applicable at the date of this Base Prospectus:

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000, unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in Specified Currency (as defined in the Conditions). See "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – United Kingdom*".

Bearer Notes

Notes in bearer form are subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*".

Principal Paying Agent:

The Bank of New York Mellon, London Branch.

Registrar, Paying Agent and Transfer Agent for the Registered Notes (other than Restricted Notes):

The Bank of New York Mellon (Luxembourg) S.A.

Registrar, Paying Agent and Transfer Agent for the Restricted Notes:

The Bank of New York Mellon, New York Branch.

Exchange Agent:

The Bank of New York Mellon, New York Branch.

Distribution:

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Issuance in Series:

Notes will be issued in series (each a "**Series**"). Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

Form of Notes:

The Notes will be issued in bearer or registered form as described in "*Form of the Notes*".

Registered Notes will not be exchangeable for Bearer Notes and vice versa.

Notes offered in the United States or to, or for the account or benefit of, U.S. persons will only be issued in registered form. Notes sold to Institutional Accredited Investors will be represented by definitive Notes in certificated form.

Currencies:

Notes may be denominated in, subject to any applicable legal or regulatory restrictions or any restrictions imposed by the depositary from time to time, any currency agreed between the Issuer, Qtel and the relevant Dealer(s). Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer, Qtel and the relevant Dealer(s) and specified in the applicable Final Terms subject to compliance with then-current laws and regulations and the provisions of the following sentence. Notes will have a minimum denomination of €100,000 (or its equivalent in other currencies), save that in case of any Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue would otherwise constitute a contravention of Section 19 of the FSMA, the minimum specified denomination shall be £100,000 (or its equivalent in other currencies), unless otherwise permitted by then current law and regulations.

The minimum denomination of each: (i) Note which may be purchased by a QIB pursuant to Rule 144A will be U.S.\$200,000 or its approximate equivalent in other Specified Currencies; or (ii) Definitive IAI Registered Note will be U.S.\$500,000 or its approximate equivalent in other Specified Currencies.

Maturities:

The Notes will have such maturities as may be agreed between the Issuer, Qtel and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price:

Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the relevant Final Terms. The price and amount of Notes to be issued will be determined by the Issuer, Qtel and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Status of the Notes:

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

See Condition 3 (*Status of the Notes and the Guarantee*).

Guarantee:

The Notes will be unconditionally and irrevocably guaranteed by Qtel.

The obligations of Qtel under its guarantee in respect of the Notes will be direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of Qtel and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of Qtel from time to time outstanding.

See Condition 3 (*Status of the Notes and the Guarantee*).

Fixed Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Final Terms. Interest on Fixed Rate Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 6(e) (*Payments – General provisions applicable to payments*).

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes. Interest on Floating Rate Notes in bearer form will only be payable outside the United States and its possessions, subject to Condition 6(e) (*Payments – General provisions applicable to payments*).

Other provisions in relation to Floating Rate Notes:

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest periods will be specified in the applicable Final Terms.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:

Subject to any purchase and cancellation or early redemption or redemption by instalments, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution. See “*Overview Of The Programme – Certain Restrictions: Notes having a maturity of less than one year*”.

Change of Control:

If a Change of Control Put is specified in the applicable Final Terms, each Noteholder will have the right to require the redemption of its Notes upon a Change of Control Event. See Condition 7(e) (*Redemption and Purchase – Redemption for Change of Control (Change of Control Put)*).

Negative Pledge:

The terms of the Notes will contain a negative pledge provision as further described in Condition 4 (*Negative Pledge*).

Cross Default:

The terms of the Notes will contain a cross default provision as further described in Condition 10 (*Events of Default*).

Rating:

Tranches of Notes will be rated or unrated. Where a tranche of Notes is to be rated, such rating (and the credit rating agency issuing such rating) will be specified in the applicable Final Terms.

A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

Listing and admission to trading:

Application has been made to the Irish Stock Exchange for Notes to be admitted to the Official List and trading on the Main Securities Market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, Qtel and the relevant Dealer(s) in relation to the

Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The relevant Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange and/or markets.

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction as provided in Condition 8 (*Taxation*), unless otherwise required by applicable law. In the event that any such deduction is made, the Issuer or, as the case may be, Qtel will, save in certain limited circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts as would have been paid had no such deduction or withholding been required.

ERISA:

Notes (or any interest therein) may generally be purchased by Benefit Plan Investors (as defined in Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) and certain other plans that are subject to Similar Law (as defined herein), unless the terms of the Note provide otherwise. See "*Certain ERISA and Other Considerations*".

Governing Law:

The Notes, the Programme Agreement, the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are governed by, and shall be construed in accordance with, English law.

The Corporate Services Agreement is governed by Bermuda law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in Bermuda, the Dubai International Financial Centre, the European Economic Area (including the United Kingdom), Japan, Qatar, the Kingdom of Bahrain, Saudi Arabia, the United Arab Emirates (excluding the Dubai International Financial Centre), Switzerland, the United States of America and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*".

United States Selling Restrictions:

Regulation S, Category 2, Rule 144A and Section 4(2). TEFR A C, TEFR A D or TEFR A not applicable as specified in the applicable Final Terms.

RISK FACTORS

Any investment in the Notes is subject to a number of risks and uncertainties. Before making any investment decision, prospective investors should consider carefully the risks and uncertainties associated with any investment in the Notes, the Group's business and the countries and markets in which it operates, together with all of the information that is included in this Base Prospectus and should form their own view before making an investment decision with respect to any Notes. In particular, prospective investors should evaluate the risks and uncertainties referred to or described below, which may have a material adverse effect on the Group's business, financial condition, results of operations or prospects. Should one or more of the following events or circumstances occur at the same time or separately, the value of the Notes could decline and an investor might lose part or all of its investment. Although the risks and uncertainties described below are those that the Group currently considers to be material, they are not the only ones the Group faces. Additional risks and uncertainties that are not presently known to the Group or that the Group currently deems immaterial may also materially and adversely affect the Group's business, financial condition, results of operations or prospects. Prospective investors should carefully consider whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

Risks Relating to the Issuer

The Issuer has a limited operating history and will depend on receipt of payments from the Guarantor to make payments to Noteholders

The Issuer was formed in 2009 and has a limited operating history. The Issuer's principal purpose is to provide funding, through the international capital markets, to the Group. Therefore, the Issuer's ability to fulfil its obligations under the Notes is entirely dependent on the Group's performance. The Issuer is subject to all the risks to which the Group is subject, to the extent that such risks could limit the Group's ability to satisfy in full and on a timely basis its obligations under the Guarantee. See "Risk Factors – Risks Relating to the Group" for a further description of certain of these risks.

Risks Relating to the Group

The Group has expanded rapidly, is comprised in part of significant newly acquired operations and does not have a long track record of operating in its current form

The Group has experienced significant growth in a relatively short period of time. For example:

- in March 2007, the Group acquired a 51.0 per cent. direct shareholding in National Mobile Telecommunications Company K.S.C. ("**Wataniya**"), including Wataniya's businesses in Kuwait, Algeria, Tunisia, Maldives, Saudi Arabia and its mobile telecommunications licence in Palestine; in October 2008 the Group increased its direct shareholding in Wataniya to 52.5 per cent. and subsequently in October 2012 increased its direct shareholding further to 92.1 per cent via a public tender offer;
- in June 2008, the Group acquired a 40.8 per cent. direct shareholding in PT Indosat Tbk ("**Indosat**"); the Group subsequently increased its direct shareholding in Indosat to around 65.0 per cent. in March 2009 via a public tender offer;
- in January 2011, Wataniya increased its direct shareholding in Tunisiana S.A. (then known as Orascom Telecom Tunisie S.A.) ("**Tunisiana**") from 50.0 per cent. to 75.0 per cent.; following completion of the Group's tender offer in Wataniya in October 2012, the Group's indirect shareholding in Tunisiana increased to 69.1 per cent.;
- in November 2011, Asia Mobile Holdings Pte. Ltd. ("**Asia Mobile Holdings**"), an investment company in which the Group holds a 25.0 per cent direct shareholding, increased its direct shareholding in StarHub Limited ("**StarHub**"), a telecommunications company in Singapore, from 48.2 per cent. to 56.6 per cent. and the Group's indirect shareholding to 14.1 per cent.; and
- in June 2012, the Group reached agreement to double its direct shareholding in Asiacell Communications PJSC (formerly known as Asiacell Communications LLC) ("**Asiacell**") to 60.0 per cent., initially increasing its economic interest in Asiacell to 53.9 per cent. with the further increase in shareholding subject to Iraqi government and regulatory authority approval.

The growth of the Group's business over the past seven years has been driven in significant part by acquisitions. Due to the number and magnitude of the Group's acquisitions between 2005 and 2012, its historical consolidated financial and operating data are not directly comparable from period to period. A significant portion of the Group's recent growth is attributable to its expansion into and operations in relatively high-risk locations. For example, during the nine month period ended 30 September 2012, Asiacell, which conducts operations in Iraq, a country that remains subject to serious political and security concerns generated the highest profits out of the operations of the Group. See *"Risks Relating to International Operations – The Group operates in locations where there are high security risks, which could result in harm to its employees and contractors or substantial costs being incurred"*. As certain of its markets continue to mature, a significant portion of Qtel's future growth may also depend on the success of its recent acquisitions in these higher-risk locations, as well as its success in finding and completing future acquisitions generally.

The Group does not have an established history of operating in its current form, including in terms of size and geographic reach, and its ability to manage its existing businesses and its future growth depends upon a number of factors, including its ability: (i) to effectively increase the scope of its operational and financial systems and controls to handle the increased complexity and expanded geographic area of its operations; (ii) to recruit, train and retain qualified staff to manage and operate its growing business; (iii) to obtain necessary permits, licences, spectrum allocation or approvals from governmental authorities and agencies; and (iv) to explore new markets and run new businesses. In addition, prior to being acquired by the Group, target companies may have incurred contractual, financial, regulatory, environmental or other obligations and liabilities that may impact the Group in the future that may not have been adequately reflected in the historical financial statements of such companies or otherwise known to the Group or discovered by the Group in its due diligence process relating to such acquisitions. Any difficulties in addressing these issues and fully integrating its acquisitions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may face increased competition from new entrants or established telecommunications operators in the markets in which it operates

The Group faces intensifying competition both from new entrants to the telecommunications markets in which the Group operates and from existing competitors. For example, in March 2009, Qatar rescinded the Group's exclusive right to provide domestic and international fixed line and mobile telecommunications services throughout Qatar and provided Vodafone Qatar Q.S.C. ("**Vodafone Qatar**") with licences to offer similar services in Qatar. In March 2009, the Saudi Telecom Company ("**STC**") began commercial operations in Kuwait under its brand "Viva". Competition has led to a reduction in the rate at which the Group adds new customers and may lead to a decrease in the Group's market share as customers purchase telecommunications services, or other competing services, from other providers. As at 30 September 2012, the Group held market share of 71 per cent., 21 per cent., 38 per cent. and 36 per cent. in the telecommunications markets in Qatar, Indonesia, Kuwait and Iraq, respectively, by number of customers.

The competitive focus in certain of the Group's markets continues to shift from customer acquisition to customer retention as a result of increased penetration of the mobile telecommunications market. There can be no assurance that the Group will not experience increases in customer churn rates, reflecting increased numbers of customer deactivations, particularly as competition for existing customers intensifies. An increase in churn rates may result in lower revenue and higher costs resulting from the need to replace customers and may consequently have a material adverse effect on the Group's profitability.

Increasing competition has also led, in certain markets, to a decline in the prices the Group is able to charge for its services and may lead to further price declines in the future. In addition, the Group faces increasing competition in the markets in which it operates due to the entrance of new telecommunications service providers. For example, as at 30 September 2012, Vodafone Qatar had 29.0 per cent. of the cellular customer market share in Qatar. This increased market share negatively affected the Group's ARPU in Qatar in 2010 and 2011. In Indonesia, the Group faces intense competition from Telkomsel and XL Axiata; in Iraq, Zain and Korek Telecom are the main competitors to Asiacell's operations; and in Kuwait, Zain and Viva are the main competitors to Wataniya's operations. Competition from these companies or any other new entrants in any of the other markets in which the Group operates, may result in an overall reduction in the Group's

tariffs or cause the Group to lose customers, fail to attract new customers or incur additional costs to maintain its customer base or to maintain revenues from such customer base. See *"Business Description of the Group – Principal Operations"*. Increasing competition could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Antitrust and competition laws in the countries in which the Group operates may limit its growth and subject it to antitrust and other investigations or legal proceedings

The antitrust and competition laws and related regulatory policies in many of the countries in which the Group operates generally favour increased competition in the telecommunications industry and may prohibit the Group from making further acquisitions or continuing to engage in particular practices to the extent that it holds a significant market share in such countries. In addition, violations of such laws and policies could expose the Group to civil lawsuits or criminal prosecution, including fines and imprisonment, and to the payment of punitive damages. For example, in October 2011, ictQATAR issued a designation of Qtel as a dominant service provider in all 14 relevant retail and wholesale telecommunications markets in Qatar, following ictQatar's Market Definition and Dominance Designation Review in 2010 (the **"MDDD Review"**). The designation as a dominant service provider triggers a range of legal obligations, such as the requirement to obtain pricing and tariff approval from ictQATAR and the prohibition of any activities constituting an abuse of dominant position, such as price discrimination, bundling and tying, cross-subsidisation and refusal to supply. See *"Risk Factors – Risks Relating to the Telecommunications Industry – The Group may be, from time to time, involved in disputes and litigation with regulators, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain. When concluded, they may have a material adverse effect on the Group's business, financial condition and results of operations"* and *"Business Description of the Group – Litigation"*.

The Group cannot predict the effect that lawsuits, appeals, investigations or any future investigations by regulatory bodies or by any third party in any of the countries in which it operates, will have on its business, results of operations or prospects. In addition, any fines, other penalties on the Group, imposed by the relevant antitrust or competition authority as a result of any such investigation, or any prohibition on the Group engaging in certain types of business in one or more of the regions in which it operates, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If the Group does not continue to provide telecommunications or related services that are useful and attractive to customers, it may not remain competitive, and its revenues, results of operations and prospects may be adversely affected

The Group's commercial success depends on providing telecommunications services that provide the Group's customers with value for their money. If the Group is unable to anticipate customer preferences or industry changes (including the use of new or alternative technologies), or if it is unable to modify its services on a timely basis, it may lose customers. The Group's operating results would also suffer if its new products and services are not responsive to the needs of its customers, are not appropriately timed with market opportunity or are not effectively brought to market. Many of the services the Group offers are technology-intensive and the development or acceptance of new technologies may render such services non-competitive, replace such services or reduce prices for such services. In addition, as convergence of services accelerates, the Group has made and will have to continue to make additional investments in new technologies to remain competitive. The new technologies the Group chooses may not prove to be commercially successful. For example, the Group has begun utilising worldwide interoperability for microwave access (**"WiMAX"**) technology, a wireless broadband network designed to provide significantly higher data transport speeds, in Jordan, Pakistan and the Philippines. However, the Group believes that WiMAX has not proven to be as popular or cost-effective as it had initially hoped, and the Group is currently reassessing the continuity of its operations in Jordan. In addition, the Group may not receive, in a timely manner or at all, the necessary licences to provide services based on new technologies.

As telecommunications technology continues to develop, the Group's competitors may be able to offer telecommunications products and services that are, or that are perceived to be, substantially similar or better than those offered by the Group. This could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks relating to the Group's third party indebtedness

As at 30 September 2012, the Group had QR33.4 billion (U.S.\$9.2 billion) in outstanding indebtedness and had an additional QR7.5 billion (U.S.\$2.1 billion) under its financing agreements available for drawdown. As at 30 September 2012, the Group's consolidated indebtedness included QR2,546.5 million (U.S.\$699.6 million) in outstanding indebtedness of its subsidiaries (excluding Indosat) including term loan facilities and syndicated loans, of which approximately 50.0 per cent. were secured by pledges of these subsidiaries and joint venture assets and shares. The Group incurred financing costs (net) of QR1.44 billion (U.S.\$0.40 billion) in the nine months ended 30 September 2012.

The Group's third party indebtedness is subject to both fixed and floating interest rates. Although the Group may convert its floating rate indebtedness into fixed rates using interest rate swaps when it believes it appropriate and prudent to do so, it does not convert all of its floating rate indebtedness into fixed rates and cannot be certain what the interest rates on its remaining floating rate indebtedness will be in the future. A breach of the terms of any indebtedness, including financial covenants, could cause the Group's lenders to require the Group to repay the financing immediately. Additionally, if the Group's operating cash flows are not sufficient to meet its operating expenses and its own debt service obligations or those of its subsidiaries, the Group may be forced to do one or more of the following:

- delay or reduce capital expenditure;
- sell certain of its assets;
- forego business opportunities, including acquisitions and joint ventures; or
- repay its debt early due to the acceleration of such debt by the respective lenders.

In addition, the debt covenants in the Group's financing agreements, which include debt service cover ratios and other financial condition tests, could limit the Group's flexibility in planning for, and reacting to, competitive pressures and changes in its business, industry and general economic conditions and limit its ability to make strategic acquisitions and to take advantage of business opportunities.

The Group's indebtedness includes indebtedness that will become payable in the short term including a loan facility outstanding in the total amount of U.S.\$2 billion, of which U.S.\$1.25 billion will mature in the second quarter of 2013. Additionally, one of its tranches of unsecured bonds issued in 2009, in the amount of U.S.\$900 million, matures in the second quarter of 2014. There can be no assurance that the Group's business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable the Group to repay or service its indebtedness or to fund its liquidity needs. If the Group is unable to meet its debt service obligations, it may attempt to restructure or refinance existing debt or seek additional funding. However, the Group may not be able to do so on satisfactory terms, if at all. Failure to do so could have a material adverse effect on its business, financial condition and results of operations.

If the Group fails to retain and attract qualified and experienced employees, its business may be harmed

If the Group is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications or fails to recruit skilled professional and technical staff at a pace consistent with its growth, its business and results of operations may be adversely affected. Experienced and capable personnel in the telecommunications industry remain in high demand and there is continual competition for their talents. The loss of some members of the Group's senior management team or any significant number of its mid-level managers/skilled professionals may result in: (i) a loss of organisational focus; (ii) poor execution of operations and corporate strategy; or (iii) an inability to identify and execute potential strategic initiatives such as expansion of capacity or acquisitions. These adverse consequences could, among other things, reduce potential revenue and expose the Group to downturns in the markets in which it operates, all of which in the aggregate or individually could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's continued growth in profitability depends on its ability to continue to grow organically as well as the success of its acquisition strategy

The Group's future success depends on its ability to expand its business organically and to continue to complete strategic acquisitions. As the Group continues to grow, it believes that it must maintain an appropriate mixture of organic growth and acquisitions in order to balance the capital expenditure and cash flow profiles associated with its telecommunications operations and other business activities across different development stages. There can be no assurance that the Group will be able to achieve this goal. Moreover, the Group's organic growth depends on the number of customers, its ability to increase revenues, limit churn and update existing networks and services and successfully launch new value added services. Any difficulties in attracting new customers or updating its networks and services could have a material adverse effect on the Group's results of operations and prospects.

The success of the Group's acquisition strategy depends on the ability of management to identify suitable acquisition targets, to assess the value, strengths, weaknesses, contingent or other liabilities and potential profitability of such acquisitions, to negotiate acceptable purchase terms and to integrate the acquired businesses. In addition, the Group's acquisition strategy depends on its ability to obtain the appropriate regulatory and government approvals, licences, spectrum allocation and registrations and may be limited by regulatory constraints in the countries in which it operates due to antitrust laws, asset control laws or political conflicts. See *"Risk Factors – Risks Relating to the Group – Antitrust and competition laws in the countries in which the Group operates may limit its growth and subject it to antitrust and other investigation or legal proceedings"*. In addition, the success of the Group's acquisitions will depend on, and may be limited by, the Group's ability to finance acquisitions, which may be limited by restrictions contained in its debt instruments and its other existing and future financing arrangements. For a description of the Group's primary credit facilities, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flow – Indebtedness"*.

There can be no assurance that the Group will be able to identify and effect future acquisitions on appropriate terms and at an acceptable cost. The Group cannot give any assurance that its recent rate of growth will be maintained in the future or that demand for the Group's services will continue to grow at rates sufficient to achieve a satisfactory return on any investments that it makes. The Group's inability to expand its business organically, or to find and complete suitable acquisitions, could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group is exposed to certain risks in respect of the expansion of its existing networks

Among the Group's projects are the development of a National Broadband Network project and Long Term Evolution (LTE) technology in Qatar and the rollout of a fixed-line network in Tunisia. Network expansion and infrastructure projects, including those in the Group's development pipeline, typically require substantial capital expenditure throughout the planning and construction phases and it may take months or years before the Group can obtain the necessary permits and approvals and the new sites become operational, during which time the Group is subject to a number of construction, financing, operating, regulatory and other risks beyond its control, including, but not limited to:

- shortages of materials, equipment and labour;
- an inability on the Group's part to make any necessary financing arrangements on terms favourable to the Group, if at all;
- changes in demand for the Group's services;
- labour disputes and disputes with sub-contractors;
- inadequate infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- failure to complete projects according to specifications;
- adverse weather conditions and natural disasters;
- accidents;
- changes in local governmental priorities; and

- an inability to obtain and maintain project development permission or requisite governmental licences, permits or approvals.

The occurrence of one or more of these events may have a material adverse effect on the Group's ability to complete its current or future network expansion projects on schedule or within budget, if at all, and may prevent the Group from achieving the projected revenues, internal rates of return or capacity associated with such projects. There can be no assurance that the Group will be able to generate revenues from its expansion projects that meet its planned targets and objectives, or that such revenues will be sufficient to cover the associated construction and development costs, which could have a material adverse effect on the Group's financial condition, results of operations and prospects.

Telecommunications businesses require substantial capital investment and the Group may not have sufficient capital to make, or may be restricted by covenants in its financing agreements from making, future capital expenditure and other investments as the Group deems necessary or desirable

The Group operates in capital-intensive industries that require substantial amounts of capital and other long-term expenditures, including those relating to the development and acquisition of new networks and the expansion or improvement of existing networks. In the past, the Group has financed these expenditures through a variety of means, including internally generated cash flows, external borrowings (including banking and capital markets transactions) and capital contributions. In the future, the Group expects to utilise a combination of these sources to manage its statement of financial position and meet its financing requirements. There can be no assurance that such sources of capital will be available to the Group on acceptable terms, if at all.

The Group's ability to arrange external financing, and the cost of such financing, depends on numerous factors, including the Group's future financial condition, general economic and capital markets conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, applicable provisions of tax and securities laws and political and economic conditions in any relevant jurisdiction. There can be no assurance that the Group will be able to arrange any such external financing on commercially reasonable terms, if at all. See "*Risk Factors – Risks Relating to the Group – The Group is highly leveraged*".

In addition, covenants contained in the Group's current or future financing agreements may restrict the Group from undertaking capital expenditure in amounts and at times that it deems necessary or desirable. If the Group is unable to generate or obtain funds sufficient to make, or is otherwise restricted from making, necessary or desirable capital expenditure and other investments, it may be unable to grow its business, which may have a material adverse effect on its financial condition and results of operations.

A failure in the continuing operations of the Group's networks, gateways to its networks or the networks of other operators could adversely affect the Group's business, financial condition and results of operations

The Group depends to a significant degree on the uninterrupted operation of its networks to provide its services. From time to time, customers of certain operating companies within the Group have experienced blocked calls because of network capacity constraints. The Group cannot assure investors that these relevant networks can be improved or maintained at current levels.

The Group relies to a certain extent on interconnection to the networks of other telecommunications operators to carry calls from its customers to the customers of fixed-line operators and other mobile operators, both within a given country and internationally. The Group's network, including its information systems, information technology and infrastructure and the networks of other operators with whom its customers interconnect, are vulnerable to damage or interruptions in operation from a variety of sources including earthquake, fire, flood, power loss, equipment failure, network software flaws, transmission cable disruption or similar events. Any interruption of the Group's operations or of the provision of any service, whether from operational disruption, natural disaster or otherwise, could damage the Group's ability to attract and retain customers, cause significant customer dissatisfaction and have a material adverse effect on its business, financial condition and results of operations.

Qatar exerts significant control over Qtel and its interests may conflict with those of Noteholders and/or of Qtel itself

Qatar is the Group's most significant shareholder, holding directly through Qatar Holding LLC (an entity established by the Qatar Investment Authority), 51.6 per cent. of the Group's outstanding voting shares as at the date of this Base Prospectus. In addition, Qatar holds a Golden Share (the "**Golden Share**"), which, in accordance with Qtel's Articles of Association, gives it the exclusive right to, amongst other things, appoint and remove five of the 10 members of Qtel's Board of Directors (the "**Board**"), including the Chairman of the Board, together with the right to approve, veto and reverse certain decisions of the Group. Qatar's right to appoint and remove five of the 10 members of the Board applies for so long as Qatar's shareholding is maintained. Even if Qatar ceases to own 50.0 per cent. or more of Qtel's outstanding voting shares, Qatar would still be able to appoint a number of board members pro-rata to the number of shares it holds with the remaining members of the Board not appointed by Qatar being elected by the General Assembly. Notwithstanding its ownership percentage, Qatar will always have the right to appoint not less than two members of the Board, one of them being the Chairman of the Board.

Furthermore, as at 30 September 2012, a variety of Qatari government related entities, including the Qatar Pension Funds and Qatar National Bank S.A.Q., owned an additional 17.5 per cent. of the Group's outstanding voting shares, thereby increasing the direct and indirect influence of Qatar over Qtel's operations. Qatar, by virtue of its ownership of the Golden Share and Qtel's Articles of Association, is able to exercise control over, amongst other things:

- election of Qtel's directors and, in turn, selection of Qtel's management;
- Qtel's business policies and strategies;
- budget approval, including personnel costs;
- the issuance of debt or equity securities;
- mergers, acquisitions and disposals of Qtel's assets or businesses; and
- amendments to Qtel's charter documents.

As a result of Qtel's Articles of Association and Qatar's direct and indirect ownership of 51.6 per cent. of the Group's outstanding voting shares, Qatar has the power to appoint five of the 10 members of Qtel's Board of Directors, including the Chairman. In the event of a tied vote, the Chairman has the right to cast the deciding vote. Consequently, there can be no assurance that the resolution of any matter that may involve the interests of Qatar will be resolved in what investors would consider to be their best interests. See "*Management – Management of Qtel – Rights of the Golden Shareholder*".

Qtel's financial obligations are not guaranteed by Qatar

Although Qatar is a majority shareholder of Qtel (see above "*Qatar exerts significant control over Qtel and its interests may conflict with those of Noteholders and/or of Qtel itself*"), Qtel is an independent commercial enterprise and, in the absence of an explicit guarantee from the Government in respect of any of its borrowings, none of its financial obligations (including its obligations under the Notes) or those of its subsidiaries, affiliates or joint ventures are guaranteed by the Government. Accordingly, Qtel's financial obligations, including its obligations under the Notes, are not and should not be regarded as obligations of the Government. Qtel's ability to meet its financial obligations under the Notes is solely dependent on Qtel's ability to fund such amounts from its profits and cash flows, or from other, non-Qatari government, sources of financing. Therefore, any decline in Qtel's operations, its profits or cash flows, or any difficulty in securing external funding, may have a material adverse effect on Qtel's ability to satisfy its payment obligations to Noteholders irrespective of ownership by Qatar.

A downgrade in the credit ratings of Qtel or any of its subsidiaries could limit their ability to negotiate new loan facilities, access the debt capital markets and may increase their borrowing costs and/or adversely affect their relationship with creditors

Qtel's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining Qtel's cost of borrowing funds. The interest rates of the Group's borrowings are partly dependent on its credit ratings. As at the date of this Base Prospectus, Qtel has a long-term local and foreign currency rating of A+ by Fitch, a long term local and foreign currency rating of A and a short term local and foreign currency rating of A-1 by S&P and long-term local and foreign currency rating of A2 by Moody's. A downgrade of Qtel's credit

ratings, or being placed on a negative ratings watch, may increase its cost of borrowing and materially adversely affect its results of operations. A downgrade of Qtel's credit ratings (or announcement of a negative ratings watch) may also limit its or its subsidiaries' ability to raise capital. Moreover, actual or anticipated changes in Qtel's credit ratings or the credit ratings of the Notes (if applicable) generally may affect the market value of the Notes.

Indosat, which for the nine month period ended 30 September 2012, contributed 25.8 per cent. of the Group's consolidated revenue, has, at the date of this Base Prospectus, a local currency corporate family rating and a senior unsecured rating of Ba1 by Moody's, a long term local and foreign currency rating of BB+ by S&P, a long term local and foreign currency rating of BBB by Fitch and a local currency rating of idAA+ from PT Pemeringkat Efek Indonesia (Pefindo). A downgrade of Indosat's credit rating, or being placed on a negative ratings watch, may increase its cost of borrowing and could materially adversely affect its business, financial condition and results of operations which, in turn, could have a materially adverse effect on the Group's business, financial condition and results of operations.

In addition, ratings assigned to the Notes (if applicable) may not reflect the potential impact of all risks related to the transaction, the market or any additional factors discussed in this Base Prospectus and other factors may affect the value of the Notes. A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

Fluctuations in currency exchange rates could materially adversely affect the Group's business, financial condition or results of operations

As the Group presents its consolidated financial statements in Qatari Riyals, it is exposed to risks related to the translation of assets and liabilities denominated in other currencies, particularly given that all of the Group's operations outside Qatar use other currencies in their operations. In addition, although the Qatari Riyal was pegged to the U.S. dollar as at the date of this Base Prospectus, Qatar may, in the future, remove or alter the peg causing the dollar denominated value of the Group's assets and liabilities to fluctuate. As a result, the Group is exposed to risks related to the translation of assets and liabilities denominated in foreign currencies and currency fluctuations could have an impact on its statement of financial position. Movement in the value of the Qatari Riyal against other currencies may accordingly materially adversely affect the Group's financial condition and results of operations.

As a result of the currency composition of its revenues, expenses, assets and liabilities, the Group has been, and expects to continue to be, exposed to foreign exchange rate fluctuations, which could materially affect the Group's results of operations (including its operating margins) and cash flows as reported in Qatari Riyals. Fluctuations in exchange rates could also significantly impact the comparability of the Group's operating results between financial periods. For example, for the nine months ended 30 September 2012, the Group derived 25.8 per cent. of its revenue from Indosat, whose revenues are largely denominated in the Indonesian Rupiah, which tends to be relatively volatile compared to other currencies and which decreased in value against the U.S. dollar, to which the Qatari Riyal is pegged, by around seven per cent. during the nine months ended 30 September 2012.

The Group uses limited foreign currency hedging contracts if it deems it appropriate and commercially viable, although foreign currency hedging contracts may only partially protect its results of operations, assets and liabilities and cash flows from the effect of exchange rate fluctuations. Accordingly, there can be no assurance that future exchange rate fluctuations between the Qatari Riyal and the currencies of countries in which the Group operates will not have a material adverse effect on the Group's business, financial condition and results of operations.

Fluctuations in interest rates could materially adversely affect the Group's business, financial condition or results of operations

Interest rates are highly sensitive to many factors beyond the Group's control, including the interest rate, exchange rate and other monetary policies of governments and central banks in the jurisdictions in which the Group operates. In addition, the floating rate debt portion of the Group's loans and borrowings is subject to interest rate risk resulting from fluctuations in the relevant reference rates underlying such debt. Consequently, because the majority of the Group's debt is

subject to floating interest rates, any increase in such reference rates will result in an increase in the Group's interest rate expense and may have a material adverse effect on the Group's financial condition and results of operations. For example, as at 30 September 2012, QR10.2 billion (U.S.\$2.8 billion) of the Group's loans and borrowings, principally comprising borrowings denominated in U.S. dollars and Indonesian Rupiah, carried interest at floating rates between 0.5% per cent. and 5.8% per cent. above the relevant reference rate. A hypothetical 25 basis point change in interest rates on the floating rate portion of the Group's loans and borrowings would result in a change in its finance costs of approximately QR25.5 million (U.S.\$7.0 million) per year. There can be no assurance that, upon the expiration of the Group's current interest rate hedging arrangements, the Group will be able to enter into similar hedging transactions in the future on commercially reasonable terms, if at all, or that these agreements will protect it fully against its interest rate risk in the future. For example, there can be no assurance that the counterparties to such arrangements will perform their obligations. Any future unhedged interest rate risk may result in an increase in the Group's interest expense and may have a material adverse effect on the Group's business, its financial conditions and results of operations. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk"*.

Effects of the global economic crisis on the Group

The global economic crisis commenced in the second half of 2007 and continued into 2008 with a banking crisis in a number of established Western countries, including the United States and the United Kingdom. More recently the crisis has taken the form of sovereign debt crises in a number of countries within the Eurozone. The global economic crisis has had an effect in a number of countries in the Middle East and North Africa ("MENA") region. However, it remains difficult to quantify the impact of the global economic crisis on Qatar and the other countries in which the Group operates. The Group is exposed to risks associated with the global economic downturn. Many of the Group's strategic partners and suppliers are based overseas and may experience financial difficulties that could affect their ability to service the Group in a timely and efficient manner. The global recession may also result in reduced demand for oil and gas in major markets, resulting in a reduction in oil and gas prices, with a negative impact on the Qatari economy and the Group. As an emerging market, the Qatari economy may be perceived as being more fragile than more established economies, and investors will likely compare Qatar to other emerging economies, which may not have the same political and security risks associated with them as is the case with Qatar. The global economic crisis could have a material and adverse effect on the Group's revenues, financial position, results of operations and continued growth.

The Group may pursue investment opportunities in countries in which it has no previous investment experience or in jurisdictions that are subject to greater social, economic and political risks

The Group may not be able to adequately assess the risks of investing in new jurisdictions irrespective of advice from its advisers. Investments made by the Group in emerging markets may involve a greater degree of risk than investments in developed countries. For example, emerging market investments may carry the risk of more volatile equity markets, less favourable and less sophisticated fiscal and commercial regulation, a greater likelihood of severe inflation, unstable currency, exchange controls, restrictions on repatriation of profits and capital, corruption, political, social and economic instability (including warfare and civil unrest) and government actions or interventions, including tariffs, royalties, protectionism, subsidies, expropriation of assets and cancellation of contractual rights, than investments in companies based in developed countries. An occurrence of any of the foregoing risks or failure by the Group to correctly identify the risks associated with an investment could have a material adverse effect on its business, financial condition and results of operations and therefore affect the ability of the Issuer and Qtel to perform their respective obligations in respect of any Notes.

Risks Relating to the Telecommunications Industry

Because the Group operates in heavily regulated business environments, regulatory decisions and changes in the regulatory environment could materially adversely affect its business

Because the Group has operations in a large number of jurisdictions, it must comply with an extensive range of laws and regulations pertaining to the licensing, construction and operation of telecommunications networks and services, as implemented by relevant agencies or other

regulatory bodies. Among the most significant of these laws and regulations are those governing the allocation of frequency spectrum and regulatory agencies that monitor and enforce regulation and competition laws which apply to the telecommunications industry. Decisions by regulators regarding the granting, amendment or renewal of licences, to the Group or to third parties, could materially and adversely affect the Group's future operations in these geographic areas. The Group may also not be able to realise expected revenues from capital expenditures invested in certain infrastructure projects if governments or their regulatory authority require the Group to share or sell any rights to the assets once complete. The Group cannot provide any assurance that governments or their regulatory bodies in the countries in which it operates will not issue telecommunications licences to new operators whose services will compete with it. For example, until March 2009, Qtel was the incumbent telecommunications provider in Qatar. However, the Supreme Council of Information & Communication Technology ("**ictQatar**"), the regulatory authority for telecommunications in Qatar, revoked Qtel's exclusive right to provide telecommunication services in Qatar and granted a licence to Vodafone Qatar, which launched commercial operations in Qatar in March 2009. Vodafone Qatar also obtained a licence to operate a fixed line service, which became effective in April 2010 and has begun to roll out the fixed line service on a limited basis.

ictQATAR has opened public consultations regarding the provision of licences to construct passive telecommunications networks, consisting of the cables and towers capable of transmitting telecommunications services, to companies constructing national projects or public utilities, major regional projects or large-scale multi-purpose developments. The holders of such passive licences will not actually be allowed to provide telecommunications services, but may lease or rent such networks to licensed telecommunications providers. Such a change in licensing could raise the costs incurred by the Group to provide telecommunications services in Qatar or have an adverse effect on the quality of the network available to carry the Group's services. To date, ictQATAR has issued two such licences. It is currently unclear whether ictQATAR will issue any more licences for passive infrastructure.

In addition, other changes in the regulatory environment concerning the use of mobile phones may lead to a reduction in the usage of mobile phones or otherwise adversely affect the Group. Also, decisions by regulators and new legislation, such as the transfer from ictQatar of certain regulatory functions, including responsibility for price regulation, to an independent governmental authority sometime in the future, could affect the pricing of, or adversely affect the revenue from, the services the Group offers. If price regulation is introduced in any country in which the Group operates, such regulation may result in a reduction in, or a cap on the growth of its domestic and international tariffs and the fees and charges for other products and services provided by it. See "*Business Description of the Group – Telecommunications Operations – Regulation*".

The Group faces a risk of increased customer churn as a result of mobile number portability.

Historically, Qtel and Asiacell has been protected to some extent from customer churn by the fact that mobile telephone numbers in Qatar and Iraq have not been transferable between service providers. A customer switching from one service provider to another would therefore have had to change his or her mobile telephone number. The inconvenience associated with this acts as a disincentive to customers considering switching service providers and thus mitigates churn. In order to provide greater consumer choice and promote competition, the CMC is actively requiring mobile telecommunications operators in Iraq to adopt mobile number portability, a system which allows customers to retain the same mobile telephone number when switching networks. In addition, in June 2012 ictQATAR issued a decision stating that mobile number portability services will be introduced in Qatar in the first quarter of 2013. The introduction of mobile number portability represents a risk to Qtel and Asiacell in that it removes a key disincentive to customers switching service providers and may increase churn. This could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Continued cooperation between the Group and its equipment and service providers is important to maintain the Group's telecommunications operations

Once a manufacturer of telecommunications equipment has designed and installed its equipment within a system, the operator of the system will often be reliant on such manufacturer for continued service and supply. The Group's ability to maintain and grow its subscriber base depends in part on its ability to source adequate supplies of network equipment and on its ability to source adequate supplies of mobile handsets, software and content on a timely basis.

Continued cooperation with these equipment and service providers is essential for the Group to maintain its operations.

The Group does not have direct operational or financial control over its key suppliers and has limited influence with respect to the manner in which its key suppliers conduct their businesses. The Group's subsidiaries', associates' and joint ventures' reliance on these suppliers subjects them and the Group to risks resulting from any delays in the delivery of services. The Group cannot assure investors that its suppliers will continue to provide equipment and services to its subsidiaries, associates and joint ventures at attractive prices or that the Group will be able to obtain such equipment and services in the future from these or other providers on the scale and within the time frames required, if at all. The inability or unwillingness of key suppliers to provide the Group's operations with adequate equipment and supplies on a timely basis and at attractive prices could materially and adversely impact these operations' ability to retain and attract subscribers or offer attractive product offerings, either of which could materially and negatively impact the Group's business, financial condition, results of operations and prospects.

Domestic, regional or global economic changes may adversely affect the Group's businesses

Economic conditions can have a material adverse effect on telecommunications businesses, including a material adverse effect on the quality and growth of their customer base and service offerings. An economic downturn in the MENA, the Asian Subcontinent and Asia Pacific regions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the current global economic conditions, which could have had an effect on credit conditions, and any fall in oil or gas prices, may cause an economic slowdown or contraction in many countries in which the Group operates. Further market disruption may be caused by continued economic stagnation and certain countries in Europe, and throughout the world, experiencing debt servicing problems and other adverse economic events. Current high rates of inflation in some of the countries in which the Group operates may also cause consumer purchasing power to decrease, which may reduce consumer demand for the Group's services. Additionally, any decrease in the population growth or gross domestic product ("GDP") in the markets in which the Group operates may adversely affect the Group's business, financial condition, results of operations and prospects.

A loss of investor confidence in the financial systems of emerging as well as mature markets may cause increased volatility in the financial markets in the countries and regions in which the Group operates and a slowdown in economic growth or economic contraction in those countries and regions. Any such increased volatility or slowdown could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's operations could be adversely affected by natural disasters or other catastrophic events beyond the Group's control

The Group's business operations, technical infrastructure (including its network infrastructure) and development projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, hurricanes, fires or typhoons) or other catastrophic or otherwise disruptive events, including, but not limited to:

- changes to predominant natural weather, hydrologic and climatic patterns;
- major accidents, including chemical or other material environmental contamination;
- power loss; and
- strike or lock-out or other industrial action by workers or employers.

The occurrence of any of these events, or a similar such event, at one or more of the Group's facilities or in the regions in which the Group operates may cause disruptions to the Group's operations in part or in whole, may increase the costs associated with providing services as a result of, among other things, costs associated with remedial work, may subject the Group to liability or impact the Group's brands and reputation and may otherwise hinder the normal operation of the Group's business, which could materially adversely affect its business, financial condition and results of operations.

In addition, the Group's technical infrastructure is vulnerable to damage or interruption from information and telecommunication technology failures, acts of war, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at the Group's facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the

quality of its services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenues and could harm the Group's operations. For a description of the Group's disaster recovery systems and procedures, see "*Business Description of the Group – Information Technology*".

The effect of any of these events on the Group's financial condition and results of operations may be worsened to the extent that any such event involves risks for which the Group is uninsured or not fully insured, or which are not currently insurable, such as acts of war and terrorism. It is the Group's policy to procure appropriate insurance cover (such as property damage and business interruption cover), however, the Group cannot give any assurance that the insurance procured by the Group and in place at any particular time will cover all potential risks sufficiently or that the insurers will have the financial ability to pay all claims that may arise. Further, if there are changes in the insurance markets or rises in insurance costs, the Group cannot provide assurance that insurance coverage will continue to be available on terms similar to those presently available to the Group or at all. See "*Business Description of the Group – Insurance*".

Failure in the Group's information and technology systems could result in interruptions of the Group's business operations

The Group's information and technology systems are designed to enable the Group to use its infrastructure resources as effectively as possible and to monitor and control all aspects of its operations. Any failure or breakdown in these systems could interrupt the normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could dramatically impact the Group's ability to offer services to its customers, which could have a material adverse effect on the Group's business and results of operations. For example, the Group depends on certain technologically sophisticated management information systems and other systems, such as its customer billing system, to enable it to conduct its operations. Any significant delays or interruptions in providing services could negatively impact the Group's reputation as an efficient and reliable telecommunications provider.

In addition, the Group relies on third party vendors to supply and maintain much of its information technology. In the event that one or more of the third party vendors that the Group engages to provide support and upgrades with respect to components of the Group's information technology ceased operations or became otherwise unable or unwilling to meet its needs, the Group cannot assure investors that it would be able to replace any such vendor promptly or on commercially reasonable terms, if at all. Delay or failure in finding a suitable replacement could materially adversely affect the Group's business, financial condition and results of operations.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage

The effects of any damage caused by exposure to an electromagnetic field were and continue to be the subject of careful evaluations by the international scientific community, but to date there is no scientific evidence of harmful effects on health. However, the Group cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

The Group's mobile communications business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential customer liability. In addition, these concerns may cause regulators to impose greater restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

The Group's telecommunications licences, permits and frequency allocations are subject to finite terms, ongoing review and/or periodic renewal, each of which may result in modification or early termination. In addition, the Group's ability to obtain new licences and permits could adversely affect its business

The terms of the Group's licences, permits and frequency allocations are subject to finite terms, ongoing review and/or periodic renewal and, in some cases, are subject to modification or early termination or may require renewal with the applicable government authorities. See "*Business Description of the Group – Telecommunications Operations – Licences*". While the Group does not expect any of its subsidiaries or associated companies to be required to cease operations at the

end of the term of their business arrangements or licences, there can be no assurance that these business arrangements or licences will be renewed on equivalent satisfactory terms, or at all. Upon termination, the licences and assets of these companies may revert to the local governments or local telecommunications operators, in some cases without any or adequate compensation being paid.

The Group has in the past paid significant amounts for certain of its GSM telecommunications licences and the competition for granting these licences is increasing. For this reason, the Group anticipates that it may have to pay increasingly substantial licence fees in certain markets, as well as meet specified network build out requirements. There can be no assurance that the Group will be successful in obtaining or funding these licences, or, if licences are awarded, that they can be obtained on terms acceptable to the Group. If the Group obtains or renews further licences, it may need to seek future funding through additional borrowings or equity offerings and there can be no assurance that such funding will be obtained on satisfactory terms, or at all. Failure to obtain financing on satisfactory terms or at all may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be, from time to time, involved in disputes and litigation with regulators, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain. When concluded, they may have a material adverse effect on the Group's business, financial condition and results of operations

The Group is subject to numerous risks relating to legal and regulatory proceedings, to which it or any of its subsidiaries are currently a party or which could develop in the future. See "Business Description of the Group – Litigation".

The Group's involvement in litigation and regulatory proceedings may adversely affect its reputation. Furthermore, litigation and regulatory proceedings are inherently unpredictable and legal or regulatory proceedings in which the Group is or comes to be involved (or settlements thereof) may have a material adverse effect on its business, financial condition or results of operations.

Industrial action or adverse labour relations could disrupt the Group's business operations and have an adverse effect on operating results

Certain of the Group's operations are currently and may in the future be subject to collective bargaining, union or similar labour agreements. In addition, the Group's employees also benefit from local laws regarding employee rights and benefits. For example, the Group's operations in Indonesia depend on employees who have established a union and signed a collective labour agreement with Indosat. In addition, the Group's Indonesian employees may also benefit from local laws regarding employee rights and benefits.

If the Group is unable to negotiate acceptable labour agreements or maintain satisfactory employee relations, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs) at its facilities, which individually or in the aggregate could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to Countries in which the Group Operates

The Group operates in locations where there are high security risks, which could result in harm to its employees and contractors or substantial cost being incurred

Some of the Group's subsidiaries operate in high-risk locations, such as Algeria, Indonesia, Iraq and Palestine where the country or location is suffering from political, social or economic instability, or war or civil unrest. In those locations where the Group has employees, assets or operations, those subsidiaries may incur substantial costs to maintain the safety of their personnel and to protect their assets. Despite these precautions, the safety of the Group's personnel in these locations may continue to be at risk. In addition, network maintenance and expansion projects in these areas could be delayed or cancelled due to the need for heightened security for employees and contractors operating in these areas.

The Group is subject to the risks of political, social and economic instability associated with countries and regions in which it operates or may seek to operate

Overview

The Group conducts its business in a number of countries and regions with developing economies, many of which do not have firmly established legal and regulatory systems and some of which from time to time have experienced economic, social or political instability. For example, following its acquisition of Asiacell, Nejdma and Tunisiana in 2007 and Indosat in 2008, the Group now operates in Iraq, Algeria, Tunisia and Indonesia, respectively, each of which has suffered from regional political instability and general social and civil unrest in recent years. Some of these countries are also in the process of transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies that can affect the Group's investments in these countries. Governments in these jurisdictions and countries, as well as in more developed jurisdictions and countries, may be influenced by political or commercial considerations outside of the Group's control, and may act arbitrarily, selectively or unlawfully, including in a manner that benefits the Group's competitors. In addition, the Group may from time to time enter into business relationships with persons subject to European, United States or other international sanctions. By doing so, the Group could experience adverse publicity, which may in turn result in reputational harm in certain jurisdictions.

Specific country risks that may have a material adverse effect on the Group's financial condition and results of operations include, amongst other things:

- political instability, riots or other forms of civil disturbance or violence;
- war, terrorism, invasion, rebellion or revolution;
- government interventions, including expropriation or nationalisation of assets, increased protectionism and the introduction of tariffs or subsidies;
- changing fiscal, regulatory and tax regimes;
- arbitrary or inconsistent government action, including capricious application of tax laws and selective tax audits;
- difficulties and delays in obtaining requisite governmental licences, permits or approvals;
- cancellation, nullification or unenforceability of contractual rights; and
- underdeveloped industrial and economic infrastructure.

Changes in investment policies or shifts in the prevailing political climate in any of the countries in which the Group operates, or seeks to operate, could result in the introduction of increased government regulations with respect to, among other things:

- price controls;
- export and import controls;
- income and other taxes;
- environmental legislation;
- customs and immigration;
- foreign ownership restrictions;
- foreign exchange, currency and capital controls; and
- labour and welfare benefit policies.

Uncertainty in Iraq

For the nine months ended 30 September 2012, revenue from Asiacell, the Group's operating company in Iraq, accounted for 20.1 per cent of the Group's revenue. Iraq has experienced considerable upheaval in the past few years and is in the process of clarifying the roles and developing the capacity of government and regulatory institutions. There is significant uncertainty with respect to the legal and regulatory environment in which Asiacell operates. For example, it can take considerable amounts of time to obtain consents and the Group has not yet been able to obtain the consent of the necessary governmental agency to properly record its increased indirect interest in Asiacell, which may also be taken to constitute an amount which is in excess of the level of non-Iraqi ownership permitted by Asiacell's licence issued by the CMC. Consequently, the level of the Group's ownership interest in Asiacell could be in contravention of the licence issued

to Asiacell by the CMC. The level and validity of the Group's ownership interest in Asiacell could be subject to challenge and, if such challenge is made, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In accordance with the terms of its licence issued by the CMC, Asiacell's constitutional documents should also contain provisions providing that shareholders are required to notify Asiacell on purchases of more than one per cent. of the share capital of Asiacell and when any shareholder becomes aware of or has reasonable cause to believe that its shareholding consists of shares comprising more than 55 per cent. of the share capital of Asiacell. Asiacell's constitutional documents do not contain such provisions and if this situation persists, Asiacell may be subject to fines or such other sanctions as may be imposed by the CMC.

In addition, Asiacell's licence requires that Asiacell pays a regulatory fee of 18.0 per cent. of its gross revenues, reduced to 15.0 per cent. provided that the level of Iraqi participation in Asiacell remains at 51 per cent. or above. Following the Group's increase in its economic interest in Asiacell to 53.9 per cent. in June 2012, Asiacell submitted a letter to the CMC requesting guidance on the regulatory fee payable as a result of this increase. However, Asiacell has not yet received a response from the CMC and, as at the date of this Base Prospectus, Asiacell has continued to pay a regulatory fee of 15.0 per cent. of its gross revenues, with provision for the additional 3.0 per cent. There is no assurance that the CMC will not require Asiacell to pay a regulatory fee of 18.0 per cent. as a result of the Group's increase in its direct shareholding in Asiacell.

Furthermore, under the terms of Asiacell's licence, Asiacell is required to use the international gateway of the incumbent mobile telecommunications company in Iraq and does not currently do so. There can be no assurance that the Iraqi authorities will not take action against Asiacell or what those actions might be. Future changes and continued uncertainty in Iraq could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Asiacell is under an obligation, contained in its licence, to conduct an offer for sale of its shares via the Iraqi Stock Exchange with the requirement that it offers 25 per cent. of its shares to trading on the Iraqi Stock Exchange by 31 August 2011. The other two national mobile telecommunications operators in Iraq, Zain and Korek, are under a similar obligation contained in their respective operating licences. Asiacell, Zain and Korek have breached their licences as a result of not having listed by 31 August 2011. In June 2012, the Hearing Committee of the CMC imposed a fine on Asiacell for the amount of IQD 10 million (approximately U.S.\$8,000) per day from 1 September 2011 until the shares are offered. As at the date of this Base Prospectus, Asiacell continues to pay this fine on a timely basis.

Political climate

The MENA, the Asian Subcontinent and Asia Pacific regions have all experienced varying degrees of political instability over the past fifty years. Future armed conflicts or political instability in those regions or in Indonesia could impact the Group's operations. The wider MENA region in particular is subject to a number of geopolitical and security risks and ongoing unrest. Beginning in the first half of 2011, a number of countries in the MENA region, including Tunisia, Egypt, Libya, Bahrain, Kuwait, Lebanon, Yemen and Syria have witnessed serious unrest, in some instances leading to civil war, foreign military intervention and a change of government.

As at the date of this Base Prospectus, civil war is ongoing in Syria, giving rise to a risk of contagion, given historic social and political connections between Syria and its neighbours. The Syrian government has recently been subjected to heightened international diplomatic pressure in relation to its conduct during the civil war. The situation in Syria is fluid and the potential exists for it to deteriorate.

There is also a heightened risk of foreign military action against Iran. In recent years, there have been instances of political unrest in Iran, particularly surrounding presidential and parliamentary elections. There is also continuing tension regarding Iran's nuclear programme, which the Iranian government has maintained is limited to developing a civilian nuclear energy programme, but which the United States, the European Union and others publicly suspect is aimed at developing a nuclear weapons capability. This has the potential to give rise to further tension regarding Iran, and possibly to foreign military action against Iran and possible Iranian retaliatory action. Regional risks could also affect investor sentiment in the MENA region as a whole and potentially have a material and adverse effect on the Group's business, financial condition and results of operations.

Furthermore, following the overthrow of the former Iraqi regime in 2003, Iraq was, and continues to be, subject to serious political and security concerns. Geopolitical instability and a poor security environment have historically been among the key risks associated with doing business in Iraq or investing in a company that is based or does substantial business in Iraq. While the security situation in Iraq has generally improved over recent years, significant risks remain which could have a material adverse effect on Asiacell's business, results of operations and financial condition, as well as on Asiacell's network infrastructure in affected areas, which could, in turn, have a material and adverse effect on the Group's business, financial condition and results of operations.

As the political, economic and social environments in certain countries in which the Group has made, or may consider making, investments remain subject to continuing development, investments in such countries are characterised by a significant degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in such countries, or in countries that neighbour such countries, could have a material adverse effect on the investments that the Group has made or may make in the future, which in turn could have a material adverse effect on the Group's financial condition and results of operations.

Risk Factors that Vary Depending on the Final Terms of the Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features.

The Notes may be subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the Notes' market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer may issue partly paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of these Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

Risks related to all Notes

The Group cannot give any assurance that an active, stable or liquid market for the Notes will develop or be maintained

Notes issued under the Programme may have no established trading market when issued, and one may never develop. If a market does develop it may not be very liquid. The liquidity of any market for the Notes that may develop depends on a number of factors, including, amongst other things:

- the method of calculating the principal and interest in respect of the Notes;
- the time remaining to the maturity of the Notes;
- the outstanding amount of the Notes;
- the redemption features of the Notes; and
- the level, direction and volatility of market interest rates generally.

As a result of these and other factors, there may be a limited number of buyers available when an investor decides to sell its Notes, which may adversely affect the price an investor receives for such Notes unless such an investor understands and knows it can bear those investment risks. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Modification

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Bearer Notes where denominations involve integral multiples; definitive Bearer Notes

In relation to any issue of Bearer Notes which have denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum specified denomination. In such a case, a holder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum specified denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade. If a Noteholder holds an amount which is less than the minimum specified denomination in its account with the relevant clearing system at the relevant time, such Noteholder may not receive a definitive Bearer Note in respect of such holding (should the definitive Bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least a specified denomination in order to be eligible to receive a definitive Bearer Note.

Risks Related to the Market Generally

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed in this Base Prospectus and other factors that may affect the value of the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by a European Union-registered credit rating agency or the relevant non-European Union rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Limited information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issuance of the relevant Notes nor whether any such change could adversely affect the ability of the Issuer or Qtel to make payments under the Notes.

The European Monetary Union may cause Notes denominated in certain currencies to be re-denominated in euro

If Notes are issued under the Programme which are denominated in the currency of a country which, at the time of issue, is not a member of the European Monetary Union which has adopted the euro as its sole currency and, before the relevant Notes are redeemed, the euro becomes the sole currency of that country, a number of consequences may follow, including, but not limited to, any or all of the following: (i) all amounts payable in respect of the relevant Notes may become payable in euro; (ii) applicable law may allow or require such Notes to be re-denominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in such currency used to determine the rates of interest on such Notes. The introduction of the euro in such a country could be accompanied by a volatile interest rate and/or economic environment which could adversely affect investors in the Notes. Any of these or any other consequences could materially and adversely affect the holders of the relevant Notes.

Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer and Qtel have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The Notes may be subject to fluctuations in currency exchange rates

The Issuer will pay principal and interest on the Notes in the relevant Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that government and monetary authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls, which could adversely affect an applicable exchange rate. The Issuer and Qtel have no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. However, fluctuations between currencies in the past are not necessarily indicative of fluctuations that may occur in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available at such Note's maturity.

Claims in respect of the Notes and the Guarantee will be structurally subordinated to claims of creditors of Qtel's subsidiaries

In the event of a winding-up or insolvency of one of the subsidiaries of Qtel, claims of secured and unsecured creditors of such subsidiary, including trade creditors, banks and other lenders, will have priority with respect to the assets and revenues of such subsidiary over any claims that the Issuer or the Guarantor (to the extent that they are not secured or unsecured creditors), as applicable, or the creditors of the Issuer or the Guarantor, as applicable, may have with respect to such assets and revenues. Generally, all of the obligations of a subsidiary of Qtel would have to be satisfied before any of the assets or revenues of such subsidiary would be available, upon a liquidation or otherwise, to the Issuer or the Guarantor (to the extent that they are not secured or unsecured creditors), as applicable, or the creditors of the Issuer or the Guarantor, as applicable. Claims under the Notes and the Guarantee will therefore be structurally subordinated to the indebtedness of Qtel's subsidiaries, the amount of which is not subject to contractual limitations under the terms of the Notes.

Risks Relating to Enforcement

It may be difficult to enforce arbitration awards and foreign judgments against the Issuer

The Issuer has agreed that the Notes will be governed by English law, and that any dispute arising from the Notes shall be referred to and resolved by arbitration in London under the Arbitration Rules of the London Court of International Arbitration, with a Noteholder having the right to require that the courts of England have exclusive jurisdiction to settle any dispute arising from the Notes. A final and conclusive judgment of a foreign court against the Issuer may be enforceable in Bermuda if the foreign court is situated in a country to which The Judgments (Reciprocal Enforcement) Act 1958 (the "**1958 Act**") applies. The procedure provided for in the 1958 Act must be followed if the 1958 Act applies. The 1958 Act applies to the United Kingdom. Under the 1958 Act, a judgment obtained in the superior courts of a territory to which it applies would be enforced by the Supreme Court of Bermuda without re-examination of the merits of the case, **provided that:**

- the judgment is final and conclusive, notwithstanding that an appeal may be pending against it or it may still be subject to an appeal in such country;

- the judgment has not been given on appeal from a court which is not a superior court; and
- the judgment is duly registered in the Supreme Court of Bermuda in circumstances in which its registration is not liable thereafter to be set aside.

Under Section 3(4) of the 1958 Act, the registration of such a court's judgment in the Supreme Court of Bermuda involves the conversion of the judgment debt into Bermuda dollars as of the date of the foreign court's judgment, but the Bermuda Monetary Authority has indicated that its present policy is to give the consents necessary for any Bermuda dollar award made by the Supreme Court of Bermuda as aforesaid to be recovered in external currency.

No stamp duty or similar or other tax or duty is payable in Bermuda on the enforcement of a foreign judgment. Court fees will be payable in connection with proceedings for enforcement.

The submission by the Issuer to arbitration pursuant to the terms of the Notes is not contrary to Bermuda law and would be recognised by the courts of Bermuda as a legal, valid and binding submission, if such submission is legal, valid and binding under the laws of England.

An arbitration award made in a country which is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards adopted by the United Nations Conference on International Commercial Arbitration on 10 June 1958 (the "**New York Convention**") may be enforceable in Bermuda. It may be possible to enforce the award pursuant to Part IV of the Bermuda International Conciliation and Arbitration Act 1993 (the "**1993 Arbitration Act**"). Pursuant to Section 40 of the 1993 Arbitration Act, a New York Convention award (defined in that Act as an award made pursuant to an arbitration in a state or territory other than Bermuda which is a party to the New York Convention) is enforceable in Bermuda either by action or by leave of the court, in the same manner as a judgment of the Supreme Court or the Court of Appeal of Bermuda.

A New York Convention award must be enforced except in the following instances: enforcement of a New York Convention award may be refused if it is in respect of a matter which is not capable of settlement by arbitration, or if enforcement would be contrary to public policy, as that term is understood in Bermuda. Moreover, enforcement of a New York Convention award may be refused if the person against whom it is invoked proves:

- the incapacity of one of the parties to the arbitration agreement;
- that the arbitration agreement was not valid under the laws to which the parties subjected it or of the country where the award was made;
- that the person against whom it is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his or its case;
- (unless the award is severable) the award deals with a difference not contemplated by or falling within the terms of the submission to arbitration or contains decisions on matters beyond the scope of the submission to arbitration;
- the composition of the arbitral authority was not in accordance with the parties' agreement or, failing such agreement with the law of the country where the arbitration took place; or
- the award has not yet become binding on the parties or has been set aside or suspended by a competent authority of the country in which, or under the law of which, it was made.

Pursuant to Section 44 of the 1993 Arbitration Act, a certificate under the hand of the Deputy Governor of Bermuda to the effect that Her Majesty has by Order in Council declared that any State specified in the certificate is a party to the New York Convention, is conclusive evidence that that State is a party to the New York Convention on the date of the certificate. The United Kingdom is a signatory to the New York Convention.

Arbitration may involve the payment of the costs of the arbitration and fees by each of the parties to the arbitral proceedings.

It may be difficult to enforce arbitration awards and foreign judgments against Qtel

Under the Terms and Conditions of the Notes, the parties have agreed that any dispute arising out of or in connection with the Notes shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration, with a Noteholder having the right to require that the courts of England have exclusive jurisdiction to settle the dispute. A unilateral right to litigate, as on the part of a Noteholder has not been specifically raised before the Qatari courts. Accordingly, it is possible that a Qatari court may not

accept that the Noteholder's right to litigate is exclusive to such Noteholder and may afford Qtel the same right.

In the event that proceedings are brought against Qtel in Qatar, the Qatari courts would, in accordance with their normal practice, enforce the contractual terms of the Notes (including the contractual choice of a governing law other than Qatari law to govern the Notes, **provided that**, this would not apply to any provision of that law which Qatari courts held to be contrary to any mandatory provision of Qatari law or to public order or morality in Qatar). Qatari courts have consistently enforced commercial interest obligations computed in accordance with the terms of the relevant agreement. It is, however, uncertain whether the Qatari courts would enforce the payment of interest on interest, or the payment of accrued interest which exceeds the amount of the principal sum.

There is currently no treaty or convention for the reciprocal enforcement of judgments between Qatar on the one hand and England on the other. A judgment obtained from a court in England will be enforceable in Qatar subject to the provisions of Articles 379 and 380 of the Civil and Commercial Procedure Law, which provides, in the case of Article 379, that judgments and orders pronounced in a foreign country may be ordered to be executed in Qatar upon the conditions determined in that country for the execution of Qatari judgments and orders and provides, in the case of Article 380, that an order for execution of a foreign judgment or order will not be made unless and until the following have been ascertained, that: (i) the judgment or order was delivered by a competent court of the foreign jurisdiction in question; (ii) the parties to the action were properly served with notice of proceedings and properly represented; (iii) the judgment or order is one that is capable of being executed by the successful party to the proceedings in conformity with the laws of the foreign jurisdiction in question; and (iv) the foreign judgment or order does not conflict with a previous judgment or order of a competent Qatari court and is not contrary to public policy or morality in Qatar.

A Qatari court would be entitled to call for textual evidence on the laws of England concerning the conditions that would be applicable for the execution of the judgment of a Qatari court in England and the Qatari court would then be entitled to execute the judgment of the English court upon those conditions. Accordingly, although a judgment obtained from a court in England would be admissible in evidence in any proceedings brought in Qatar to enforce such judgment it would still be necessary to initiate proceedings in Qatar.

In accordance with their normal practice, Qatari courts would uphold the choice of arbitration as a dispute resolution method. However, this would be subject to the same qualifications as are stated above with regard to choice of law and a Qatari court may not accept that its own jurisdiction had been excluded by any provision providing that the submission to any particular jurisdiction was exclusive.

Qatar is a party to the New York Convention, with effect from 30 March 2003. The United Kingdom is also a party to the New York Convention and therefore an arbitration award made in England should be enforceable in Qatar in accordance with the terms of the New York Convention.

Risks Related to Taxation

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisors about their own tax situation. See "*Taxation*" below.

Bermuda taxation and exchange of information with the United States, the United Kingdom and Australia

The duration of the assurance granted to the Issuer under the Exempted Undertakings Tax Protection Act, 1966, as more particularly detailed in the taxation section on page 157, is limited and initially expires on 31 March 2035. Tax policy and legislation in Bermuda could change in the future (as is the case in other jurisdictions) and as such no guarantee can be given as to whether the current tax treatment afforded to the Issuer will continue after 31 March 2035.

Bermuda has currently signed tax information exchange agreements with 34 different countries and territories including Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, South Africa, South Korea, the United Kingdom and the United States. The agreements provide that the competent authorities of the participating countries shall provide assistance through the exchange of information that is relevant to the administration or

enforcement of the domestic laws of the participating countries concerning taxes covered by the agreements. Such information shall include information that is relevant to the determination, assessment and collection of such taxes, the recovery and enforcement of tax claims or the investigation or prosecution of tax matters. Information shall be exchanged in accordance with the provisions of the agreements and shall be treated as confidential in the manner provided therein. Bermuda may agree to sign similar tax information exchange agreements with other countries in the future.

Payment by the Issuer may be subject to withholding tax in Qatar

The Income Tax Law No.21 of 2009 (the “**Income Tax Law**”) and the Executive Regulations of the Income Tax Law issued in June 2011 (the “**Executive Regulations**”) provide that any interest payments made to “non-residents” in respect of activities not connected with a permanent establishment in Qatar will be subject to withholding tax. However, the Executive Regulations provide for certain exemptions to such application of withholding tax and in accordance with Paragraph 2 of Article 21(4) of the Executive Regulations, “interest on bonds and securities issued by the State and public authorities, establishments and corporations owned wholly or partly by the State” shall not be subject to withholding tax. The Issuer is wholly-owned by Qtel, which is indirectly partly owned by Qatar (through Qatar Holding LLC (an entity established by the Qatar Investment Authority) and Qtel believes that, as a result, payments made by the Issuer to the Noteholders should not be subject to any withholding tax in Qatar.

However, to the extent that a different official interpretation of the Executive Regulations is taken in the future, or if any law or regulation relating to withholding tax is changed, then, in relation to any then outstanding Notes, the Issuer may be entitled to redeem the Notes pursuant to Condition 7(b) (*Redemption and Purchase – Redemption for tax reasons*). If the State were to divest itself of its ownership of Qtel or if Qtel were to divest itself of ownership of the Issuer, payments under the transaction documents may also become subject to withholding tax. However, if the State were to divest itself of its ownership of Qtel and the Change of Control Put is specified as applicable in the applicable Final Terms, the holder of any Note may, in accordance with Condition 7(e) (*Redemption and Purchase – Redemption for Change of Control (Change of Control Put)*), redeem the note by giving not less than 15 nor more than 30 days’ notice to the Issuer for an amount equal to 100 per cent. of the principal amount of such Note together with interest accrued to (but excluding) the relevant Put Date. If Qtel were to divest itself of ownership of the Issuer, this would result in an event of default in accordance with Condition 10(ix) (*Events of Default*) and a holder of a Note may declare such note to be forthwith due and payable, together with any interest accrued to the date of repayment.

Certain investors may be affected by provisions under the EU Savings Directive

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments deducting tax at a rate of 35.0 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. A number of non-EU countries and territories including Switzerland have adopted similar measures.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, Qtel nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer and Qtel will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

United States Foreign Account Tax Compliance Act

The Issuer, and other non-U.S. financial institutions through which payments on the Notes are made, may be required to withhold U.S. tax at a rate of 30 percent on all, or a portion of, payments made after December 31, 2016 pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the “**Code**” and such sections of the Code being commonly referred to as “**FATCA**”), or similar law implementing an intergovernmental approach to FATCA, or in either case, any agreement entered into by the Issuer pursuant thereto. However, such FATCA withholding tax is not expected to apply if the Notes are treated as debt for U.S. federal income tax purposes and are issued prior to the date that is six months after the date on which applicable final regulations are filed and are not materially modified on or after such date. The rules governing FATCA have not yet been fully developed in this regard and the future application of FATCA to the Issuer, the Notes and holders of the Notes is uncertain. This withholding by the Issuer, and other non-U.S. financial institutions through which payments on the Notes are made, may be required, *inter alia*, where (i) the Issuer or such other non-U.S. financial institution is a foreign financial institution (“**FFI**”) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (“**IRS**”) (or an arrangement provided for under a law implementing an intergovernmental approach to FATCA) to provide certain information on its account holders (making the Issuer or such other non-U.S. financial institution a “**Participating FFI**”), and (ii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA or (b) an investor (or any entity through which payment on such Notes is made) is an FFI that is not a Participating FFI or otherwise exempt from FATCA withholding. In the event any withholding under FATCA is applicable with respect to any payments on the Notes, there will be no Additional Amounts payable to compensate for the withheld amount.

This description of the FATCA rules is based on preliminary guidance. Further guidance is anticipated, which may significantly modify these rules as they apply to the Issuer or Qtel and to investors. Investors should consult their own advisors about the application of FATCA to the Notes, in particular if they may be classified as financial institutions under these rules.

SUPPLEMENTS

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes. The permission from the Bermuda Monetary Authority to issue Bearer Notes and the direction from the Bermuda Registrar of Companies that the Base Prospectus is exempt from the provisions of Part III and Section 35 of Part IV of the Companies Act 1981 do not extend to any supplement to this Base Prospectus or publication of a new prospectus. Specific permission and a new direction will need to be sought for each supplement to this Base Prospectus or publication of a new prospectus published in relation to the Programme.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a **“Temporary Bearer Global Note”**) or, if so specified in the applicable Final Terms, a permanent global note (a **“Permanent Bearer Global Note”**) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **“Common Depositary”**) for, Euroclear Bank S.A./N.V. (**“Euroclear”**) and Clearstream Banking, *société anonyme* (**“Clearstream, Luxembourg”**).

Bearer Notes will only be delivered outside the United States and its possessions.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will only be made (against presentation of the Temporary Bearer Global Note) outside the United States and its possessions and only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **“Exchange Date”**) which is forty days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for: (i) interests in a Permanent Bearer Global Note of the same Series; or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms and **provided that** no definitive Bearer Note will be delivered to an address in the U.S. or its possessions), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made only outside the United States and its possessions through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification if such Note is being issued in accordance with the TEFRA C Rules or if certification has already been given (as described in the preceding paragraph).

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either: (a) not less than sixty days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein; or (b) only upon the occurrence of an Exchange Event. For these purposes, **“Exchange Event”** means that: (i) an Event of Default (as defined in Condition 10 (*Events of Default*)) has occurred and is continuing; or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of fourteen days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream,

Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than forty-five days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on the face of all Bearer Notes which have an original maturity of more than one year (including unilateral roll overs and extensions) and on all receipts, interest coupons or talons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections of the Code referred to in the legend above provide that U.S. Holders (as defined in “*Taxation – United States – U.S. Federal Income Taxation*”), with certain limited exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a “**Regulation S Global Note**”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Notes*) of the Terms and Conditions of the Notes, contained herein, and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions: (i) to QIBs; or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a “**Rule 144A Global Note**” and, together with a Regulation S Global Note, the “**Registered Global Notes**”).

Registered Global Notes will either: (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (“**DTC**”) for the accounts of Euroclear and Clearstream, Luxembourg; or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (“**Definitive IAI Registered Notes**”). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*”. The Rule 144A Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d) (*Payments – Payments in respect of Registered Notes*) of the Terms and Conditions of the Notes) as the registered holder of the Registered Global Notes. All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of

Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d) (*Payments – Payments in respect of Registered Notes*) of the Terms and Conditions of the Notes) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that: (i) an Event of Default has occurred and is continuing; (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the United States Securities Exchange Act of 1934 (as amended) (“**Exchange Act**”); or (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) of the Terms and Conditions of the Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See “Subscription and Sale and Transfer and Selling Restrictions”.

General

The option for Global Notes to be exchangeable for definitive Notes by giving notice shall not be expressed to be applicable under paragraph 21 (*Form of Notes*) in Part A of the applicable Final Terms if the relevant Notes have denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes shall not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of

the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, Qtel and the Principal Paying Agent.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10 (*Events of Default*) of the Terms and Conditions of the Notes. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 pm (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the “**Deed of Covenant**”) dated 7 December 2012 and executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC’s standard operating procedures.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

QTEL INTERNATIONAL FINANCE LIMITED

Issue of [●] [●]

Guaranteed by

QATAR TELECOM (QTEL) Q.S.C.

under the U.S.\$3,000,000,000 Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Base Prospectus dated 7 December 2012 [and the supplement(s) to it dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Issuer and the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [as so supplemented] is available for viewing in accordance with Article 14 of the Prospectus Directive on the website of the Central Bank of Ireland ([http: www.centralbank.ie](http://www.centralbank.ie)) and during normal business hours at the registered office of the Issuer at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and copies may be obtained during normal business hours from the registered office of the Principal Paying Agent at One Canada Square, London, E14 5AL, United Kingdom.

1.	(a) Issuer:	Qtel International Finance Limited
	(b) Guarantor:	Qatar Telecom (Qtel) Q.S.C.
2.	(a) Series Number:	[●]
	[(b) Tranche Number:	[●]]
	[(c) Date on which the Notes become fungible:	[●]]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	
	(a) Series:	[●]
	[(b) Tranche:	[●]]
5.	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6.	(a) Specified Denominations:	[●]
	(b) Calculation Amount:	[●]
7.	(a) Issue Date:	[●]
	(b) Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8.	Maturity Date:	[●]
9.	Interest Basis:	[[●] per cent. Fixed Rate] [+/- [●] per cent. Floating Rate] [Zero Coupon]
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount

11. Change of Interest Basis or Redemption/ Payment Basis: [Applicable/Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Change of Control Put]
13. Date Board approval for issuance of Notes and Guarantee obtained: [Not Applicable/[●]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [●] in each year [up to and including the Maturity Date]
- (c) Fixed Coupon Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [[●] per Calculation Amount payable on the Interest Payment Date falling in/on [●]]/Not Applicable]
- (e) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
- (f) Determination Date(s): [●] in each year
15. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (a) Specified Period(s)/ Specified Interest Payment Dates: [●]
- (b) Interest Payment Date(s): [●]
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (d) Additional Business Centre(s): [●]
- (e) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●]
- (g) Screen Rate Determination:
- Reference Rate: [LIBOR/EURIBOR]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
- (h) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (i) Margin(s): [+/-][●] per cent. per annum
- (j) Minimum Rate of Interest: [●] per cent. per annum
- (k) Maximum Rate of Interest: [●] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360]

- 30E/360 (ISDA)]
16. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (a) Accrual Yield: [●] per cent. per annum
- (b) Reference Price: [●]
- (c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [●]

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount: [●] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [●] per Calculation Amount
- (ii) Maximum Redemption Amount: [●] per Calculation Amount
18. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount: [●] per Calculation Amount
19. Final Redemption Amount: 100 per cent. of nominal amount
20. Early Redemption Amount payable on redemption for taxation reasons or on event of default or other early redemption: [Not Applicable/Final Redemption Amount/[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]
- [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
- [Registered Notes:
- [Regulation S Global Note (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]
- [Rule 144A Global Note (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC] [Definitive IAI Registered Notes]]
22. Additional Financial Centre: [Not Applicable/Qatar/[●]]
23. Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature): [Yes/No]

24. Details relating to Partly Paid Notes: [Not Applicable/[●]]
amount of each payment comprising the
Issue Price and date on which payment
is to be made and consequences
25. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/[●]]
- (b) Instalment Date(s): [Not Applicable/[●]]

Signed on behalf of
Qtel International Finance Limited:

Signed on behalf of
Qatar Telecom (Qtel) Q.S.C.:

By:.....
Duly authorised

By:.....
Duly authorized

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made to the Irish Stock Exchange for Notes to be admitted to the Official List and trading on the Main Securities Market with effect from [●]] [Application has been made to have the Notes accepted for trading in PORTAL.] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S&P [●]]
- [Moody's: [●]]
- [Fitch: [●]]
- [Fitch Ratings Limited is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]
- [Standard & Poor's Credit Market Services Europe Limited is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]
- [Moody's Investors Service Ltd. is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]
- [[●] is established in the European Union and registered under Regulation (EU) No. 1060/2009 (as amended).]/[[●] is not established in the European Union and has not applied for registration under Regulation (EU) No. 1060/2009 (as amended).]/[[●] is not established in the European Union but [●], which is registered under Regulation (EU) No. 1060/2009 (as amended), has indicated that it intends to endorse the ratings or [●] where possible.]/[[●] is not established in the European Union and has not applied for registration under Regulation (EU) No. 1060/2009 (as amended), but it is certified in accordance with such Regulation.]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer or the Guarantor is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business for which they may receive fees.]

4. [YIELD (Fixed Rate Notes only)] [●] per cent. per annum on a [quarterly/[semi-annual] basis]

5. TEFRA [Reg. S Compliance Category;
[TEFRA C/TEFRA D/ TEFRA not applicable]
[Not] Rule 144A Eligible]

6. OPERATIONAL INFORMATION

- ISIN Code: [●]
- Common Code: [●]

CUSIP:	[●]
CINS:	[●]
Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking <i>Societe Anonyme and the relevant identification number(s):</i>	[Not Applicable/[●]]
Names and addresses of additional Paying Agent(s) (if any):	[●]
Name and address of Registrar:	[The Bank of New York Mellon (Luxembourg) S.A. of Vertigo Building, Polaris 2-4 rue Eugène Ruppert, 2453 Luxembourg, Luxembourg/ The Bank of New York Mellon, New York Branch of 101 Barclay Street, New York, NY 10286 United States]

7. **THIRD PARTY INFORMATION**

[[●] has been extracted from [●]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, Qtel and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes shall supplement and complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Qtel International Finance Limited (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and
- (iv) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 7 December 2012 between the Issuer, Qatar Telecom (Qtel) Q.S.C. (the "**Guarantor**") as guarantor, The Bank of New York Mellon as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent), as exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent) and as registrar (the "**Registrar**", which expression shall include any successor registrar), the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**") for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The payment of all amounts in respect of this Note has been guaranteed by the Guarantor pursuant to a guarantee (such Guarantee as amended and/or supplemented and/or restated from time to time, the "**Guarantee**") dated 7 December 2012 and executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are: (a) expressed to be consolidated and form a single series; and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the “**Deed of Covenant**”) dated 7 December 2012 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Guarantee, a deed poll (the “**Deed Poll**”) dated 7 December 2012 made by the Issuer and the Guarantor and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such agents and the Registrar, being together referred to as the “**Agents**”). Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Principal Paying Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and, **provided that**, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination And Title

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis specified in the applicable Final Terms.

This Note may be an Instalment Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis specified in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for

the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

For so long as The Depository Trust Company (“**DTC**”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes, except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may be approved by the Issuer, the Guarantor and the Principal Paying Agent.

2. Transfers of Registered Notes

(a) *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor’s nominee.

(b) *Transfers of Registered Notes in definitive form*

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (such initial regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant

Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) **Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 7 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) **Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) **Transfers of interests in Regulation S Global Notes**

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor,

together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an “**IAI Investment Letter**”); or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period: (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC; and (ii) such certification requirements will no longer apply to such transfers.

(f) **Transfers of interests in Legended Notes**

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the

applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

- (ii) to a transferee who takes delivery of such interest through a Legended Note:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend, the Registrar shall deliver only Legended Notes or refuse to remove the legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) ***Exchanges and transfers of Registered Notes generally***

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) ***Definitions***

In this Condition, the following expressions shall have the following meanings:

"Distribution Compliance Period" means the period that ends forty days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer(s) (in the case of a nonsyndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"Institutional Accredited Investor" means accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

"Legended Note" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"QIB" means a "qualified institutional buyer" within the meaning of Rule 144A;

"Regulation S" means Regulation S under the Securities Act;

"Regulation S Global Note" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"Rule 144A" means Rule 144A under the Securities Act;

"Rule 144A Global Note" means a Registered Global Note representing Notes sold in the United States or to QIBs; and

"Securities Act" means the United States Securities Act of 1933, as amended.

3. Status of the Notes and the Guarantee

(a) **Status of the Notes**

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

(b) **Status of the Guarantee**

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

4. Negative Pledge

So long as any of the Notes remains outstanding, neither the Issuer nor the Guarantor shall, and the Guarantor shall procure that no Material Subsidiary will create or have outstanding any mortgage, charge, lien, pledge or other security interest (each, a **"Security Interest"**), other than a Permitted Security Interest, upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, without at the same time or prior thereto according to the Notes, the Receipts and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness or such other security as shall be approved by an Extraordinary Resolution of the Noteholders.

In the Conditions, the following expressions shall have the following meanings: **"Financial Indebtedness"** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any amount raised under a transaction carried out in compliance with Shari'a principles;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in subparagraphs (a) to (h) (inclusive) above.

"Infrastructure Sharing Arrangement" means an arrangement entered into by the Guarantor or any Material Subsidiary for the sale and leaseback of any assets used in the operation of its business.

“Material Subsidiary” means, at any time, any Subsidiary of the Guarantor (other than a Project Financed Entity) whose net assets are more than 5 per cent. of the consolidated net assets of the Guarantor. For the purposes of this definition, the assets of the relevant Subsidiary will be determined from its latest audited financial statements. If there is a dispute as to whether or not a company is a Material Subsidiary, a certificate of the auditors of the company will be, in the absence of manifest error, conclusive.

“Non-recourse Project, Securitisation or Asset Financing” means any securitisation (Islamic or otherwise) of existing or future assets, or the financing of all or part of the costs of the acquisition, construction or development of any project or asset, **provided that:** (i) any Security Interest given by the Issuer, the Guarantor or any Material Subsidiary is limited solely to assets of the securitisation, the project or to the value of the asset (as applicable); (ii) the person or persons participating in such securitisation or providing such financing expressly agrees or agree to limit their recourse to the project or asset (as applicable) so securitised or financed and the revenues derived from such project or asset (as applicable) as the principal source of repayment for the moneys advanced; and (iii) there is no other recourse to the Issuer, the Guarantor or a Material Subsidiary in respect of any default by any person under the securitisation or financing.

“Permitted Security Interest” means:

- (a) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of any Notes;
- (b) any Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of a person and/or its subsidiaries existing at the time that such person is merged into or consolidated with the Issuer, the Guarantor or any Subsidiary of the Guarantor, **provided that** such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer, the Guarantor or any Subsidiary of the Guarantor;
- (c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer, the Guarantor or any Subsidiary of the Guarantor and not created in contemplation of such acquisition;
- (d) any Security Interest created pursuant to a Shari’a compliant financing;
- (e) any Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of a person and/or its subsidiaries created in connection with any Non-recourse Project, Securitisation or Asset Financing;
- (f) any netting or set-off arrangement entered into by the Issuer, the Guarantor, or any Material Subsidiary in the ordinary course of its banking arrangements including, but not limited to, any cash management and hedging activities;
- (g) any lien arising by operation of law and in the ordinary course of trading;
- (h) any Security Interest arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Issuer, the Guarantor, or any Material Subsidiary in the ordinary course of trading and on the supplier’s standard or usual terms and not arising as a result of any default or omission by the Issuer, the Guarantor, or the relevant Material Subsidiary (as applicable);
- (i) any Security Interest created in connection with any Infrastructure Sharing Arrangement; or
- (j) any renewal of or substitution for any Security Interest permitted by any of the preceding subparagraphs (a) through (c) (inclusive), **provided that**, with respect to any such Security Interest incurred pursuant to this subparagraph (f), the principal amount secured has not increased and the Security Interest has not been extended to any additional property (other than the proceeds of such property), in each case, **provided that** the amount of any Relevant Indebtedness secured by any such Security Interest (either alone or when aggregated with the amount of Relevant Indebtedness secured by the other Security Interests permitted pursuant to subparagraphs (a) through (f)

(inclusive) above) does not exceed 30 per cent. of the book value of the consolidated total assets of the Guarantor and its consolidated Subsidiaries, as shown in the most recent audited consolidated financial statements of the Guarantor and its consolidated Subsidiaries.

“Project Financed Entity” means any Subsidiary or joint venture (to the extent consolidated) of the Guarantor which has incurred Project Finance Indebtedness and no other Financial Indebtedness, **provided that** a Project Financed Entity shall not include any Subsidiary or joint venture (to the extent consolidated) of the Guarantor with commercial operations (including commercial operations through a subsidiary) in Indonesia, Kuwait, Oman or Qatar. For the purposes of this definition, a Project Financed Entity shall cease to be a Project Financed Entity (and may not be redesignated a Project Financed Entity) at such time as: (i) it incurs any Financial Indebtedness other than Project Finance Indebtedness; (ii) it has no Project Finance Indebtedness outstanding; or (iii) the Guarantor determines that such Project Finance Entity is no longer a Project Finance Entity.

“Project Finance Indebtedness” means any Financial Indebtedness incurred by a Subsidiary or joint venture (to the extent consolidated) of the Guarantor to finance the ownership, acquisition, construction, development and/or operation of assets (or any refinancing thereof) to the extent to which the person or persons to whom such Financial Indebtedness is, or may be, owed have no recourse whatsoever for the repayment of or payment of such Financial Indebtedness, other than:

- (a) recourse to that Subsidiary or joint venture (to the extent consolidated) for amounts limited to the aggregate cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such assets; and/or
- (b) recourse to that Subsidiary or joint venture (to the extent consolidated), which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty or an obligation, representation or warranty to procure payment by another or an obligation, representation or warranty to comply or to procure compliance by another with any financial ratios or other test of financial condition) by the person against whom such recourse is available; and/or
- (c) if that Subsidiary or joint venture (to the extent consolidated) has been established specifically for the purpose of constructing, developing, owning and/or operating the relevant asset or that Subsidiary or joint venture (to the extent consolidated) has been established specifically for the purpose of constructing, developing, owning and/or operating a specific asset and the relevant asset, construction or development is to further develop or equip that asset and that Subsidiary or joint venture (to the extent consolidated) owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of that Subsidiary or joint venture (to the extent consolidated) and the shares in the capital of that Subsidiary or joint venture (to the extent consolidated); and/or
- (d) any guarantee given by any Subsidiary or joint venture (to the extent consolidated) of the Guarantor for Project Finance Indebtedness, **provided that** the recourse to that Subsidiary or joint venture (to the extent consolidated) under that guarantee is limited to its shares in a Subsidiary or joint venture (to the extent consolidated) of the Guarantor referred to in subparagraph (c).

“Relevant Indebtedness” means: (i) any present or future Financial Indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities (including trust certificates) which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market; and (ii) any guarantee or indemnity in respect of any such indebtedness.

“Subsidiary” means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership and “control” for the purposes of this definition means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

5. Interest

(a) **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of: (1) the number of days in such Determination Period; and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year; and

- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12-30 day months) divided by 360.

In the Conditions, the following expressions shall have the following meanings:

“**Determination Period**” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) **Interest on Floating Rate Notes**

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and: (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur; or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date: (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis*; or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day; and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, “**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (B) either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively); or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro-zone inter-bank offered rate (“**EURIBOR**”), the first day of that Interest Period; or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus

(as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement provides that if the Relevant Screen Page is not available or if, in the case of (1) above, no offered quotation appears or, if, in the case of (2) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

The Agency Agreement further provides that, if on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter bank market (if the Reference Rate is LIBOR) or the Euro zone inter bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter bank market (if the Reference Rate is LIBOR) or the Euro zone inter bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this sub-paragraph (B), “**Specified Time**” and “**Reference Banks**” have the meanings given to those terms in the Agency Agreement.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5(b)(ii) (*Interest – Interest on Floating Rate Notes*) is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5(b)(ii) (*Interest – Interest on Floating Rate Notes*) is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount, and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (i) if “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of: (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and "D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and "D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless: (i) that day is the last day of February; or (ii) such number would be 31, in which case D₁ will be 30; and "D₂" is the calendar day, expressed as

a number, immediately following the last day included in the Interest Period, unless: (i) that day is the last day of February but not the Maturity Date; or (ii) such number would be 31, in which case D_2 will be 30.

(viii) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(ix) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Interest on Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(d) ***Accrual of interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (A) the date on which all amounts due in respect of such Note have been paid; and
- (B) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

6. Payments

(a) ***Method of payment***

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(b) ***Presentation of definitive Bearer Notes, Receipts and Coupons***

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter).

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long**

Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) **Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) **Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account; or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the business day prior to the payment date) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as

the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under U.S. law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(f) **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;

- (B) London; and
 - (C) each Additional Financial Centre specified in the applicable Final Terms;
 - (ii) either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively); or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
 - (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.
- (g) **Interpretation of principal and interest**
- Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:
- (i) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*);
 - (ii) the Final Redemption Amount of the Notes;
 - (iii) the Early Redemption Amount of the Notes;
 - (iv) the Optional Redemption Amount(s) (if any) of the Notes;
 - (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
 - (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(f) (*Redemption and Purchase – Early Redemption Amounts*); and
 - (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*).

7. Redemption and Purchase

- (a) **Redemption at maturity**
- Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.
- (b) **Redemption for tax reasons**
- The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable), if:
- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the application or official interpretation of

such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, **provided that**, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisors of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment which shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph Condition 7(f) (*Redemption and Purchase – Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*); and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) at least five days prior to the Selection Date.

(d) **Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount (each as specified in the applicable Final Terms) together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7(d) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b) (*Transfers of Registered Notes - Transfers of Registered Notes in definitive form*). If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC given by a holder of any Note pursuant to this Condition 7(d) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(d) and instead to declare such Note forthwith due and payable pursuant to Condition 10 (*Events of Default*).

(e) ***Redemption for Change of Control (Change of Control Put)***

If a Change of Control Put is specified in the applicable Final Terms, and a Change of Control Event occurs, upon the holder of any Note giving to the Issuer in accordance with Condition 14 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem such Note on the Put Date at an amount equal to 100 per cent. of the principal amount of such Note together, if appropriate, with interest accrued to (but excluding) the Put Date. Registered Notes may be redeemed under this Condition 7(e) in any multiple of their lowest Specified Denomination.

Immediately upon the Issuer or the Guarantor becoming aware that a Change of Control Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Change of Control Event.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed Put Notice in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent

subject to and in accordance with the provisions of Condition 2(b) (*Transfers of Registered Notes – Transfers of Registered Notes in definitive form*). If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC given by a holder of any Note pursuant to this Condition 7(e) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(e) and instead to declare such Note forthwith due and payable pursuant to Condition 10 (*Events of Default*).

In this Condition, the following expressions shall have the following meanings:

- (i) **"Change of Control Event"** means that Qatar either ceases to have direct or indirect ownership of at least 50.1 per cent. of the issued share capital of the Guarantor or ceases to have direct or indirect ownership of such amount of shares in the capital of the Guarantor as carry at least 50.1 per cent. of the voting rights normally exercisable at a general assembly (or general meeting) of the Guarantor; and
- (ii) **"Put Date"** means the first Business Day after the expiry of the notice given by the holder of the Note pursuant to this Condition 7(e).

(f) **Early Redemption Amounts**

For the purpose of Condition 7(b) (*Redemption and Purchase-Redemption for tax reasons*) and Condition 10 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **"Amortised Face Amount"**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"RP" means the Reference Price; and

"AY" means the Accrual Yield expressed as a decimal; and

"y" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360.

- (g) **Instalments**
Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7(f) (*Redemption and Purchase – Early Redemption Amounts*).
- (h) **Partly Paid Notes**
Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition as supplemented and completed by the applicable Final Terms.
- (i) **Purchases**
The Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes (**provided that**, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.
- (j) **Cancellation**
All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7(i) (*Redemption and Purchase – Purchases*) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.
- (k) **Late payment on Zero Coupon Notes**
If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7(a) (*Redemption and Purchase – Redemption at maturity*), Condition 7(b) (*Redemption and Purchase – Redemption for tax reasons*), Condition 7(c) (*Redemption and Purchase – Redemption at the option of the Issuer (Issuer Call)*), Condition 7(d) (*Redemption and Purchase – Redemption at the option of the Noteholders (Investor Put)*) and Condition 7(e) (*Redemption and Purchase – Redemption at the option of the Noteholders (Change of Control Put)*), or upon its becoming due and repayable as provided in Condition 10 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7(f)(iii) (*Redemption and Purchase – Early Redemption Amounts*) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of
 - (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
 - (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or, as the case may be, the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that payments received by the holder will equal the amounts that the holder would have received, in the absence of such withholding or deduction, except that no such additional amounts shall be payable by the Issuer or, as the case may be, the Guarantor, with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f) (*Payments – Payment Day*)); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (the “**EU Savings Directive**”) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to the EU Savings Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

In this Condition, the following expressions shall have the following meanings:

- (i) “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notices*); and
- (ii) “**Relevant Jurisdiction**” means Bermuda or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer) or Qatar or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Guarantor).

9. Prescription

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) (*Payments – Presentation of definitive Bearer Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 6(b) (*Payments – Presentation of definitive Bearer Notes, Receipts and Coupons*).

10. Events of Default

If any one or more of the following events (each, an “**Event of Default**”) shall occur and be continuing with respect to any Note:

- (i) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and fourteen days in the case of interest; or
- (ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or, in the case of the Guarantor, the Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (iii) if: (a) any Financial Indebtedness of the Issuer, the Guarantor or a Material Subsidiary becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); (b) the Issuer, the Guarantor or a Material Subsidiary fails to make any payment in respect of any Financial Indebtedness on the

due date (as extended by any originally applicable grace period) for payment; (c) any Security Interest given by the Issuer, the Guarantor or a Material Subsidiary for any Financial Indebtedness becomes enforceable and any step is taken to enforce the Security Interest (including the taking of possession or the appointment of a receiver, manager or other similar person, but excluding the issue of any notification to the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be, that such Security Interest has become enforceable); or (d) default is made by the Issuer, the Guarantor or a Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Financial Indebtedness of any other person, **provided that** no event described in this subparagraph (iii) shall constitute an Event of Default unless the Financial Indebtedness or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Financial Indebtedness and/or liabilities due and unpaid relating to all (if any) of the events specified in (a) to (d) (inclusive) above which have occurred and are continuing, amounts to at least U.S.\$50,000,000 (or its equivalent in any other currency); or

- (iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of its Material Subsidiaries, save in connection with a Permitted Reorganisation; or
- (v) if the Issuer, the Guarantor or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or if the Issuer, the Guarantor or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits its inability to pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) if: (a) proceedings are initiated against the Issuer, the Guarantor or a Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or a Material Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them; and (b) in any case (other than the appointment of an administrator) is not discharged within thirty days; or
- (vii) if the Issuer, the Guarantor or a Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), save in connection with a Permitted Reorganisation; or
- (viii) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above; or
- (ix) if the Issuer ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by the Guarantor; or
- (x) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect,

then any holder of a Note may, by written notice to the Issuer and the Guarantor at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Notes held by the holder to be forthwith due and

payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

In this Condition, the following expression shall have the following meaning:

“Permitted Reorganisation” means:

- (A) any disposal by a Material Subsidiary of the whole or a substantial part of its business, undertaking or assets to the Guarantor or any Subsidiary of the Guarantor;
- (B) any amalgamation, consolidation or merger of a Material Subsidiary with the Guarantor or any other Subsidiary of the Guarantor; or
- (C) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution.

11. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Agents

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that:**

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City;
- (d) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with, or introduced in order to conform to the EU Savings Directive; and
- (e) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e) (*Payments – General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

14. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. Meetings of Noteholders and Modification

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain

provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Principal Paying Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. Governing Law and Dispute Resolution

(a) Governing law

The Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with any of the above are governed by, and shall be construed in accordance with, English law.

(b) Dispute resolution

(i) Subject to Condition 18(b)(ii), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Receipts and/or the Coupons (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

- (A) the place of arbitration shall be London;
- (B) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (C) the language of the arbitration shall be English.

- (ii) Notwithstanding Condition 18(b)(i) above, the Noteholders, the Receiptholders or any Couponholders (where permitted to do so) may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(A) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(B) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Noteholders, Receiptholders and/or Couponholders give such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18(b)(iii) and, subject as provided below, any arbitration commenced under Condition 18(b)(i) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Noteholders, Receiptholders and/or Couponholders, as the case may be, must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be functus officio. The termination is without prejudice to:

(A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(B) his entitlement to be paid his proper fees and disbursements; and

(C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

- (iii) In the event that a notice pursuant to Condition 18(b)(ii) is issued, the following provisions shall apply:

(A) subject to paragraph (C) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;

(B) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(C) this Condition 18(b)(iii) is for the benefit of the Noteholders, the Receiptholders and the Couponholders only. As a result, and notwithstanding paragraph (A) above, the Noteholders, Receiptholders and any Couponholders (where permitted to do so) may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may take concurrent Proceedings in any number of jurisdictions.

(c) ***Appointment of Process Agent***

Each of the Issuer and the Guarantor have appointed Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertake that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of the Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) ***Other Documents and the Guarantor***

The Issuer and, where applicable, the Guarantor have in the Agency Agreement, the Guarantee, the Deed of Covenant and the Deed Poll made provision for arbitration and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used by Qtel within the Group for general corporate purposes, including, amongst other things, refinancing existing indebtedness.

CAPITALISATION OF THE GROUP

The following table sets out the Group's consolidated capitalisation, bank balances and cash and short term debt as at 30 September 2012. The information provided was extracted from the Group's unaudited interim condensed consolidated financial statements as at 30 September 2012 and should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Consolidated Financial Statements included elsewhere in this Base Prospectus.

	As at 30 September 2012	
	<i>(in millions of)</i>	
	<i>(QR)</i>	<i>(U.S.\$)</i>
Bank balances and cash ⁽¹⁾	16,383.1	4,500.9
Debt:		
Short-term debt ⁽²⁾	6,815.4	1,872.4
Long-term debt ⁽³⁾	26,563.5	7,297.7
Total debt.....	33,378.9	9,170.1
Equity:		
Share capital	3,203.2	880.0
Legal reserve	12,434.3	3,416.0
Fair value reserve	1,053.7	289.5
Translation reserve	748.3	205.6
Other statutory reserves	706.0	194.0
Retained earnings.....	8,451.6	2,321.9
Non-controlling interests.....	17,692.0	4,860.4
Total equity	44,289.1	12,167.4
Total Capitalisation ⁽⁴⁾	70,852.6	19,465.1

(1) Comprises cash and bank balances, call deposits and short-term deposits with banks that are readily convertible into cash and restricted bank deposits of QR 202.3 million (U.S.\$ 55.6 million).

(2) Comprises debt with a maturity of less than 12 months and bank overdrafts.

(3) Comprises debt with a maturity of 12 months or greater.

(4) Total equity plus long-term debt.

BUSINESS DESCRIPTION OF THE ISSUER

The Issuer was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 on 8 May 2009 under the name QTEL International Finance Limited (with registered number 43194) and changed its name on 15 November 2011 to Qtel International Finance Limited. The registered office of the Issuer is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, telephone number +1 444 295 2244. The issued share capital of the Issuer is comprised of 100 common shares of par value U.S.\$1.00 each. The Issuer is a wholly-owned subsidiary of Qtel.

The principal objects of the Issuer are unrestricted and, as set out in paragraph 7 of its Memorandum of Association, the Issuer has the following powers:

- the powers of a natural person;
- subject to the provisions of Section 42 of the Companies Act 1981, the powers to issue preference shares which at the option of the holders thereof are liable to be redeemed;
- the powers to purchase its own shares in accordance with the provisions of Section 42A of the Companies Act 1981; and
- the powers to acquire its own shares to be held as treasury shares in accordance with the provisions of Section 42B of the Companies Act 1981.

The Issuer was established to raise capital by the issue of the Notes.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to: (i) its registration as an exempted company; (ii) the authorisation of the establishment of the Programme and issue of any Notes under the Programme; (iii) the ownership of such interests and other assets referred to herein; (iv) the other matters contemplated in this Base Prospectus; (v) the authorisation and execution of the other documents referred to in this Base Prospectus to which it is or will be a party; and (vi) other matters which are incidental or ancillary to those activities.

The Issuer's ongoing activities will principally comprise: (i) the issue of the Notes under the Programme; (ii) the entering into of any documents related to the update of the Programme and the issue of Notes under the Programme; and (iii) the exercise of related rights and powers and other activities referred to in this Base Prospectus or reasonably incidental to those activities.

The Issuer has no subsidiaries, employees or non-executive directors.

The Directors of the Issuer and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Dr. Nasser Marafih	Qatar Telecom (Qtel) Q.S.C., 100 West Bay, P.O. Box 217, Doha, Qatar	Chairman of the Issuer and Chief Executive Officer of Qtel Group
Mr. Ajay Bahri.....	Qatar Telecom (Qtel) Q.S.C., 100 West Bay, P.O. Box 217, Doha, Qatar	Chief Financial Officer of Qtel Group
Alison Dyer-Fagundo	Appleby (Bermuda) Limited, Canon's Court, 22 Victoria Street HM 1179 Hamilton HM EX Bermuda	Partner, Appleby (Bermuda) Limited
James Bodi.....	Appleby (Bermuda) Limited Canon's Court, 22 Victoria Street HM 1179 Hamilton HM EX Bermuda	Counsel, Appleby (Bermuda) Limited

The Corporate Administrator and Company Secretary of the Issuer is Appleby Services (Bermuda) Ltd., whose business address is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Michael Hancock is the assistant secretary of the Issuer.

There are no potential conflicts of interest between the private interests or other duties of the Directors, Corporate Administrator, Company Secretary and Assistant Secretary of the Issuer listed above and their duties to the Issuer.

The Corporate Services Provider of the Issuer is Appleby Services (Bermuda) Ltd., whose principal business address is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Issuer, Qtel and the Corporate Services Provider have entered into a corporate services agreement (the "**Corporate Services Agreement**") on 21 May 2009 pursuant to which the Corporate Services Provider agreed to provide certain administrative services to the Issuer.

Pursuant to the terms of the Corporate Services Agreement, either the Issuer or the Corporate Services Provider may, on not less than three month's prior written notice, terminate the Corporate Services Agreement, **provided that** either the Issuer or, as the case may be, the Corporate Services Provider, may terminate the Corporate Services Agreement forthwith by written notice on the occurrence of certain events of default by the other party.

The Corporate Services Agreement is governed by Bermuda law.

The Issuer published its first financial statements in respect of the period ending on 31 December 2009. The Issuer's financial statements in respect of the periods ending on 31 December 2009, 2010 and 2011 are included in this Base Prospectus on pages F-2 to F-37. The financial year of the Issuer ends on 31 December in each year.

The independent auditors of the Issuer are KPMG, Qatar. KPMG Qatar were appointed as the independent auditors of the Issuer in 2012. The audit for the periods 2009, 2010 and 2011 were performed by Ernst & Young, Qatar.

SELECTED HISTORICAL FINANCIAL INFORMATION OF THE ISSUER

The Issuer's selected historical financial data as at and for the periods ending 31 December 2009, 2010 and 2011 set forth below has been derived from the Issuer's financial statements appearing elsewhere in this Base Prospectus.

The selected historical financial data set forth below should be read in conjunction with, and are qualified by reference to the Issuer's financial statements. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

Statement of Comprehensive Income Data

	8 May to 31 December	Period ended 31 December	Period ended 31 December
	2009	2010	2011
	(U.S.\$ thousands)		
Finance income	60,474	134,464	230,382
Finance costs	(60,474)	(134,464)	(230,382)
Profit (loss) and total comprehensive income (expense) for the period	—	—	—

Statement of Financial Position Data

	As of 31 December		
	2009	2010	2011
	(U.S.\$ thousands)		
Assets			
Non-current asset			
Interest bearing loan to parent company	1,476,448	4,198,100	4,204,312
Current assets			
Amounts due from parent company	5,875	30,988	38,076
Total assets	1,482,323	4,229,088	4,242,388
Equity and Liabilities			
Equity			
Share capital*	—	—	—
Total equity	—	—	—
Non-current liability			
Interest bearing borrowings	1,476,448	4,198,100	4,204,312
Current liability			
Interest payable and accrued expenses	5,875	30,988	38,076
Total liabilities	1,482,323	4,229,088	4,242,388
Total equity and liabilities	1,482,323	4,229,088	4,242,388

Cashflow Statement Data

	8 May to 31 December	Period ended 31 December	Period ended 31 December
	2009		
	<i>(U.S.\$ thousands)</i>		
Net cash used in operating activities	—	—	—
Net cash used in investing activity.....	(1,476,448)	(2,721,652)	(6,212)
Net cash from financing activities.....	1,476,448	2,721,652	6,212
Net movement in bank balances and cash	—	—	—
Cash and cash equivalents at 31 December.....	—	—	—

* The share capital of the Issuer is U.S.\$100.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Qtel's selected historical consolidated financial data as of and for the nine month periods ended 30 September 2011 and 2012 and the years ended 31 December 2009, 31 December 2010 and 31 December 2011 set forth below has been derived from the Consolidated Financial Statements appearing elsewhere in this Base Prospectus.

The selected historical consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations", the Consolidated Financial Statements and the unaudited interim condensed financial statements of the Group. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

Income Statement

	Year ended 31 December			
	2009	2010	2011	2011
	(QRm)	(QRm)	(QRm)	(U.S.\$m)
Historical Income Statement Data:				
Continuing operation				
Revenue from wireless services.....	20,631.5	23,978.3	28,114.3	7,723.7
Revenue from wireline services.....	3,393.8	3,398.3	3,651.0	1,003.0
Revenue	24,025.3	27,376.6	31,765.3	8,726.7
Operating expenses	(7,327.6)	(8,734.6)	(9,958.4)	(2,735.8)
Selling, general and administrative expenses	(5,476.3)	(6,047.6)	(6,959.1)	(1,911.8)
Depreciation and amortization.....	(5,484.2)	(6,317.4)	(7,014.7)	(1,927.1)
Finance costs – Net	(1,498.2)	(1,804.4)	(1,902.3)	(522.6)
Impairment of assets and available-for-sale investments	(386.8)	(46.3)	(221.5)	(60.9)
Gain on previously held interest in an acquired subsidiary	—	—	1,442.8	396.4
Other income / (expenses) – Net.....	1,143.9	657.6	71.2	19.5
Share of results of associates.....	9.3	(129.6)	(56.9)	(15.6)
Royalties and fees.....	(459.2)	(320.8)	(312.2)	(85.8)
Net Profit before tax	4,546.2	4,633.5	6,854.2	1,883.0
Income tax	(618.0)	(545.6)	(911.0)	(250.3)
Net Profit for the year	3,928.3	4,087.9	5,943.2	1,632.7
Attributable to:				
Shareholders of the parent	2,825.3	2,887.8	2,605.6	715.8
Non-controlling interests	1,103.0	1,200.1	3,337.6	916.9
Basic and Diluted Earnings				
(attributable to equity holders of the parent)				
(expressed in QR and U.S. \$ per share)	10.74	10.98	9.90	2.72

Income Statement

	For the nine months ended 30 September		
	2011	2012	2012
	(QRm)	(QRm)	(U.S.\$m)
Historical Income Statement Data:			
Continuing operation			
Revenue from wireless services	20,909.2	22,186.7	6,095.3
Revenue from wireline services	2,663.8	2,833.4	778.4
Revenue	23,573.0	25,020.1	6,873.7
Operating expenses	(7,024.7)	(7,772.6)	(2,135.3)
Selling, general and administrative expenses	(5,571.7)	(5,617.3)	(1,543.2)
Depreciation and amortization	(5,145.3)	(5,606.4)	(1,540.2)
Finance costs – Net	(1,383.9)	(1,440.7)	(395.8)
Impairment of assets and available-for-sale investments	(15.8)	(250.6)	(68.8)
Gain on previously held interest in an acquired subsidiary	1,442.8	—	—
Other income / (expenses) – Net	237.0	611.6	168.0
Share of results of associates	(43.4)	31.1	8.5
Royalties and fees	(260.4)	(257.8)	(70.8)
Net Profit before tax	5,807.6	4,717.4	1,296.0
Income tax	(764.6)	(720.0)	(197.8)
Net Profit for the period	5,043.0	3,997.4	1,098.2
Attributable to:			
Shareholders of the parent	2,149.3	2,420.9	665.1
Non-controlling interests	2,893.7	1,576.5	433.1
Basic and Diluted Earnings (Restated)			
(attributable to equity holders of the parent) (expressed in QR and U.S. \$ per share)	8.17	8.34	2.30

Statement of financial position

	As at 31 December				As at 30 September	
	2009	2010	2011	2011	2012	2012
	(QRm)	(QRm)	(QRm)	(U.S.\$m)	(QRm)	(U.S.\$m)
Historical statement of financial position:						
Non-current assets						
Property, plant and equipment.....	29,766.5	32,173.0	33,065.1	9,083.8	31,202.1	8,572.0
Intangible assets	34,104.1	33,279.2	36,741.1	10,093.7	35,134.0	9,652.2
Investment in associates	1,944.6	2,126.3	1,591.3	437.2	1,717.0	471.7
Available-for-sale investments.....	1,698.8	1,862.0	2,189.9	601.6	2,573.4	707.0
Other non-current assets	1,128.1	967.9	910.2	250.1	1,075.8	295.5
Deferred tax asset	353.2	358.0	286.8	78.8	183.5	50.4
Current assets						
Inventories	254.5	316.5	342.6	94.1	382.2	105.0
Accounts receivable and prepayments	4,199.7	4,740.0	5,817.1	1,598.1	5,148.2	1,414.3
Bank balances and cash.....	11,511.6	25,575.7	21,249.8	5,837.9	16,383.1	4,500.9
Total assets	84,961.1	101,398.6	102,193.9	28,075.2	93,799.3	25,769.0
Equity						
Share capital.....	1,466.7	1,466.7	1,760.0	483.5	3,203.2	880.0
Legal reserve.....	6,494.1	6,494.1	6,494.1	1,784.1	12,434.3	3,416.0
Fair value reserve.....	(185.5)	50.0	672.8	184.8	1,053.7	289.5
Translation reserve	955.1	1,780.5	1,586.1	435.7	748.3	205.6
Other statutory reserves	404.6	706.0	194.0	706.0	194.0	
Retained earnings	6,889.2	8,834.2	9,836.7	2,702.4	8,451.6	2,321.9
Attributable to shareholders of the parent	15,619.6	19,030.1	21,055.7	5,784.5	26,597.1	7,307.0
Non-controlling interests	13,834.7	15,196.8	18,336.9	5,037.6	17,692.0	4,860.4
Total equity	29,454.3	34,226.9	39,392.8	10,822.2	44,289.1	12,167.4
Liabilities						
Non-current liabilities						
Interest bearing loans and borrowings	33,798.4	43,742.8	31,932.3	8,772.6	26,563.4	7,297.6
Employee benefits	605.5	913.3	801.2	220.1	826.0	226.9
Deferred tax liability	1,531.3	1,631.8	1,637.8	449.9	1,555.1	427.2
Other non-current liabilities	3,806.1	3,185.4	1,325.3	364.1	1,554.1	427.0
Total non-current liabilities	39,741.3	49,473.3	35,696.6	9,806.7	30,498.6	8,378.7
Current liabilities						
Interest bearing loans and borrowings	1,884.4	2,518.9	13,850.7	3,805.1	6,815.4	1,872.4
Accounts payable and accruals	9,674.2	10,475.6	11,217.8	3,081.8	10,270.8	2,821.6
Current account with State of Qatar...	2,803.0	2,891.2	—	—	—	—
Deferred income	1,012.4	1,351.2	1,610.8	442.5	1,533.7	421.3
Income tax payable	391.5	461.5	425.2	116.8	391.6	107.6
Total liabilities	55,506.8	67,171.7	62,801.1	17,253.0	49,510.1	13,601.6
Total equity and liabilities	84,961.1	101,398.6	102,193.9	28,075.2	93,799.2	25,769.0

Cash flow statement summary

	Year ended 31 December				For the nine months ended 30 September		
	2009	2010	2011	2011	2011	2012	2012
	(QRm)	(QRm)	(QRm)	(U.S.\$m)	(QRm)	(QRm)	(U.S.\$m)
Cash flow statement data:							
Net cash from operating activities.....	9,968.1	10,195.4	7,937.2	2,180.5	8,431.5	8,428.9	2,315.6
Net cash used in investing activities	(9,054.6)	(5,944.5)	(8,279.2)	(2,274.5)	(6,495.3)	(3,412.6)	(937.5)
Net cash from/(used in) financing activities...	3,637.7	10,007.8	(3,940.1)	(1,082.4)	(3,560.8)	(10,194.0)	(2,800.5)
Net increase in cash and cash equivalents	4,551.2	14,258.7	(4,282.1)	(1,176.4)	(1,624.6)	(5,177.7)	(1,422.4)
Net foreign exchange difference	(715.5)	(187.1)	(224.9)	(61.8)	(249.8)	307.6	84.5
Cash and cash equivalents as at 1 January...	7,650.6	11,486.3	25,557.9	7,021.4	25,557.9	21,050.9	5,783.2
Cash and cash equivalents at the end of the year/period	11,486.3	25,557.9	21,050.9	5,783.2	23,683.5	16,180.8	4,445.3

Certain non-IFRS financial information

The non-IFRS financial information on the Group set out in the two tables below has not been prepared in accordance with IFRS and is not subject to audit or review by the independent auditors.

	Year ended 31 December				For the nine months ended 30 September		
	2009	2010	2011	2011	2011	2012	2012
	(QRm)	(QRm)	(QRm)	(U.S.\$m)	(QRm)	(QRm)	(U.S.\$m)
Adjusted EBITDA ⁽¹⁾	11,230.7	12,464.8	14,790.9	4,063.4	10,933.2	11,661.3	3,203.7

(1) Adjusted EBITDA equals earnings before interest, taxes, depreciation and amortization excluding the effects of royalties and other statutory fees and certain other income and expenses that are considered to be non-operating. Adjusted EBITDA is not a measure of profit for the period, operating performance or liquidity and is not recognized under IFRS. For a discussion of how the Group uses Adjusted EBITDA, see *"Presentation of Financial and Other Information"* and for a reconciliation of Adjusted EBITDA to profit for the period, see *"Selected Historical Consolidated Financial Information of the Group"*.

The following table shows the reconciliation of the Group's profit for the period to Adjusted EBITDA for the nine months ended 30 September 2011 and 2012 and the years ended 31 December 2009, 2010 and 2011. For a discussion of Adjusted EBITDA, see *"Presentation of Financial and Other Information – Non-IFRS Measures – Adjusted EBITDA"*.

	Year ended 31 December				For the nine months ended 30 September		
	2009	2010	2011	2011	2011	2012	2012
	(QRm)	(QRm)	(QRm)	(U.S.\$m)	(QRm)	(QRm)	(U.S.\$m)
Net profit for the year / period.....	3,928.3	4,087.9	5,943.2	1,632.7	5,043.0	3,997.4	1,098.2
Finance cost.....	1,498.2	1,804.4	1,902.3	522.6	1,383.9	1,440.7	395.8
Taxes, royalties and statutory fees ⁽¹⁾	1,077.2	866.4	1,223.2	336.0	1,025.0	977.8	268.6
Depreciation and amortization	5,484.2	6,317.4	7,014.7	1,927.1	5,145.3	5,606.4	1,540.2
Other income/expense ⁽²⁾	(757.2)	(611.3)	(1,292.5)	(355.0)	(1,664.0)	(361.0)	(99.1)
Adjusted EBITDA ⁽³⁾	11,230.7	12,464.8	14,790.9	4,063.4	10,933.2	11,661.3	3,203.7

(1) Comprises income tax, royalties and other statutory fees.

(2) Comprises loss (profit) on disposal of available-for-sale investments, impairment loss on intangibles and available-for-sale investments, loss (gain) on foreign currency exchange (net) and other income/expense that are considered to be non-operating.

(3) Adjusted EBITDA equals earnings before interest, taxes, depreciation and amortization excluding the effects of royalties and other statutory fees and certain other income and expenses that are considered to be non-operating. Adjusted EBITDA is not a measure of profit for the period, operating performance or liquidity and is not recognized under IFRS. For a discussion of how the Group uses Adjusted EBITDA, see *"Presentation of Financial and Other Information"* and for a reconciliation of Adjusted EBITDA to profit for the period, see *"Selected Historical Consolidated Financial Information of the Group"*.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Group's financial condition and results of operations should be read in conjunction with the information in "Selected Historical Consolidated Financial Information", "Business Description of the Group" and the Consolidated Financial Statements appearing in this Base Prospectus. Prospective investors should read the entire Base Prospectus and not rely solely on the information set out below.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Forward-Looking Statements" and "Risk Factors".

Overview

The Group is an international telecommunications company primarily operating mobile telecommunications networks in 16 markets in the MENA, the Asian Subcontinent and the Asia Pacific regions, with a total customer base of approximately 89.2 million as at 30 September 2012, of which the Group's proportionate interest (based on the Group's percentage ownership of the companies whose customer numbers are included in the Group's total) was 53.6 million customers as at such date. The Group's most significant operations are in Qatar (where it operates through Qtel), Indonesia (where it operates through Indosat), Kuwait (where it operates through Wataniya) and Iraq (where it operates through Asiacell). Together, these four operations accounted for 73.5 per cent. of the Group's revenue for the nine month period ended 30 September 2012. The Group believes it has a geographically diverse mobile telecommunications business, with operations in relatively mature markets, such as Qatar and Kuwait and in markets with a potential for high growth, such as Indonesia and Iraq. The Group also operates a number of other telecommunications businesses, which are complementary to its existing GSM businesses, such as paging services, cable television services, wireless broadband services, fixed-line telecommunications services and corporate managed services.

The Group has developed its mobile telecommunications businesses primarily by acquiring and developing mobile telecommunications operators with existing network infrastructures (Iraq, Algeria, Kuwait, Tunisia, Maldives and Saudi Arabia in 2007 and Indonesia in 2008). The Group has also sought to expand its business by acquiring licences and developing new networks, for example, in Oman in 2005. In each of the key markets of Qatar, Indonesia, Kuwait and Iraq, it is either the largest or second largest provider of mobile telecommunications services, as measured by the number of customers as at 30 September 2012. Wireless services, which are predominantly related to the Group's mobile telecommunications businesses, contributed 88.7 per cent. to its revenue for the nine month period ended 30 September 2012.

The following table shows selected financial data for the nine months ended 30 September 2011 and 2012 and the years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December				For the nine months ended 30 September		
	2009	2010	2011	2011	2011	2012	2012
	(QRm)	(QRm)	(QRm)	(U.S.\$m)	(QRm)	(unaudited) (QRm)	(U.S.\$m)
Consolidated income statement data:							
Revenue from wireless services	20,631.5	23,978.3	28,114.3	7,723.7	20,909.2	22,186.7	6,095.3
Revenue from wireline services	3,393.8	3,398.3	3,651.0	1,003.0	2,663.8	2,833.4	778.4
Total Revenue.....	24,025.3	27,376.6	31,765.3	8,726.7	23,573.0	25,020.1	6,873.7
Profit for the year / period	3,928.3	4,087.9	5,943.2	1,632.7	5,043.0	3,997.4	1,098.2
Attributable to:							
Equity holders of the parent	2,825.3	2,887.8	2,605.6	715.8	2,149.3	2,420.9	665.1
Non-controlling interests.....	1,103.0	1,200.1	3,337.6	916.9	2,893.7	1,576.5	433.1

(1) For a discussion in the decrease in profit for the nine months ended 30 September 2012 compared to the nine months ended 30 September 2011, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Financial Condition and Results of Operations – ARPU*”. ARPU data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

The following table shows selected other data for the years ended 31 December 2009, 2010 and 2011 and the nine months ended 30 September 2011 and 2012.

	Year ended 31 December				For the nine months ended 30 September		
	2009	2010	2011	2011	2011	2012	2012
	(QRm)	(QRm)	(QRm)	(U.S.\$m)	(QRm)	(QRm)	(U.S.\$m)
Adjusted EBITDA ⁽¹⁾	11,230.7	12,464.8	14,790.9	4,063.4	10,933.2	11,661.3	3,203.7
Total number of customers (in thousands) ⁽²⁾ ..	60,400.6	74,139.8	83,352.0	—	82,422.0	89,172.9	—

(1) Adjusted EBITDA equals earnings before interest, taxes, depreciation and amortisation excluding the effects of royalties and other statutory fees and certain other income and expenses that are considered to be non-operating. Adjusted EBITDA is not a measure of profit for the period, operating performance or liquidity and is not recognised under IFRS. For a discussion of how the Group uses Adjusted EBITDA, see “*Presentation of Financial and Other Information*” and for a reconciliation of Adjusted EBITDA to profit for the period, see “*Selected Historical Consolidated Financial Information*”.

(2) Each of the Group’s operating companies calculates the number of its customers differently. For a discussion of how the Group’s operating companies calculate customer numbers, see “*Presentation of Financial and Other Information*”.

The table below provides certain information in relation to the Group’s four principal markets of Qatar, Indonesia, Kuwait and Iraq for the nine months ended 30 September 2012 and the year ended 31 December 2011.

Market	Group Effective Shareholding As of 30 September 2012	Revenue for the year ended 31 December 2011	Revenue for the year ended 31 December 2011	Revenue for the nine months ended 30 September 2012	Revenue for the nine months ended 30 September 2012	Percentage of Group’s consolidated revenue for the year ended 31 December 2011	Percentage of Group’s consolidated revenue for the nine months ended 30 September 2012	Number of customers as at 30 September 2012
	(QRm)	(QRm)	(U.S.\$m)	(unaudited) (QRm)	(unaudited) (U.S.\$m)		(unaudited)	(unaudited) (in thousands)
Qatar.....	100.0%	5,704.4	1,567.1	4,644.6	1,276.0	18.0%	18.6%	2,454.0
Indonesia	65.0%	8,550.1	2,348.9	6,444.7	1,770.5	26.9%	25.8%	55,654.2
Kuwait.....	52.5%	3,222.5	885.3	2,249.5	618.0	10.1%	9.0%	2,010.5
Iraq.....	53.9%	5,933.8	1,630.2	5,040.5	1,384.8	18.7%	20.1%	9,793.1

The Group’s operations in these four principal markets generated QR18,379.3 million (U.S.\$5,049.3 million), or 73.5 per cent., of the Group’s consolidated revenue for the nine month period ended 30 September 2012 and contributed 78.4 per cent. of its customers as at 30 September 2012.

Current Trading and Recent Developments

The Group continually seeks to develop innovative products and services that address the particular needs of the individual markets in which it operates. These initiatives are part of the

Group's continuous effort to provide customers with technologically advanced and value-added telecommunications and information services, such as mobile and fixed broadband services, in a cost-effective manner.

The Group is focused on improving its operational performance by: continuing to (i) identify and leverage operational and financial synergies across the Group; (ii) engage in product development and innovation activities; and (iii) utilise the experience of its management team to continue to build and manage a diversified and balanced portfolio of telecommunications businesses in emerging markets. Specifically, the Group is focused on increasing its wireless services revenues from the Group's operations primarily in Iraq, Indonesia, and other developing markets. Qtel expects to invest approximately QR600.0 million (U.S.\$164.8 million) on capital expenditures in connection with the first phase of development of a National Broadband Network in Qatar, in line with the National ICT Plan 2015 published by ictQATAR. The total eventual cost of the project is estimated at approximately QR1.0 billion (U.S.\$274.7 million). The Group expects that most of its capital expenditures in the near future will be related to expanding, developing and improving its networks, including in Qatar, Indonesia and Iraq. The Group is also focused on actively controlling its costs to improve its profit margins, as part of an ongoing cost optimisation programme being implemented across all operations.

The Group is focused on expansion within the MENA, the Asian Subcontinent and the Asia Pacific regions. At present, the Group's business includes a diverse mix of relatively mature markets (for example, Qatar and Kuwait) and emerging markets (for example Iraq and Indonesia). This combination of established and emerging markets is intended to allow the Group to take advantage of the historically stable returns on equity in lower-risk relatively established markets and the potential for greater returns on equity in higher risk emerging markets. In addition, the Group believes that its strategic focus on three diverse geographic regions allows it to reduce the risk to it of economic downturns in any single region.

In Indonesia and Iraq, average market penetration levels are much lower than in more mature markets, such as Europe. For example, as at 30 September 2012, mobile penetration rates were approximately 106 per cent. in Indonesia and 80 per cent. in Iraq. These relatively low levels of penetration, coupled with the high population growth rates in these markets, provide a potential revenue growth opportunity for the Group. In addition, in each of four principal markets of Qatar, Indonesia, Kuwait and Iraq, it is the largest or second largest provider of telecommunications services as measured by customer numbers. The Group's strategic plan aims to improve or stabilise (as the case may be) its position in these markets through improved network capacity, customer service and quality of service, and by providing more value added services. The Group believes that future growth in high penetration markets such as Qatar will come from the mobile, corporate managed services and broadband markets and will require enhanced products and services as well as high levels of quality and services. The Group has established forums for the executives and boards of directors of the Group's subsidiaries to meet and discuss best practices and strategic plans for expansion of their respective businesses.

Factors Affecting Financial Condition and Results of Operations

Overview

The Group generates most of its revenues from the provision of mobile telecommunications services. The Group's mobile telecommunications businesses account for most of the Group's wireless services revenues, which contributed 88.7 per cent. to the Group's revenue for the nine month period ended 30 September 2012. The Group generates revenues from its fixed-line telecommunications services in Qatar, Indonesia and Oman and from fixed broadband services, offered primarily in Qatar. Revenue from wireline services contributed 11.3 per cent. to the Group's revenue for the nine month period ended 30 September 2012.

Wireless services

The Group generates most of its wireless services revenues from the provision of mobile telecommunication services to its customers. The Group's mobile telecommunications services revenues are primarily affected by the number of mobile customers it has, churn and ARPU, each of which varies significantly across the markets in which the Group operates. Mobile customer growth in any particular market depends on a number of factors, including pricing, quality of service, availability of new services, the overall growth of the market, the level of competition to obtain new customers and retain existing ones and general economic conditions. The Group

believes that many of the markets in which it operates have not yet reached the point of saturation, unlike the wireless markets in Europe, for example. The ability of each of the Group's operating companies to increase its mobile customer base also depends increasingly on its success in providing competitive services and attractive products, its ability to attract new mobile customers and to acquire existing customers from competitors and its success in reducing churn. ARPU is driven primarily by traffic volume, data services utilisation, interconnection rates and tariffs. Tariffs in turn are mainly driven by the competitive and the regulatory environments. The Group believes that future ARPU growth will be primarily driven by growth in voice usage, data services and value-added services and will be offset by declining tariffs and interconnection rates. In addition, as markets mature and penetration increases, the incremental revenue expected from marginal customers tends to be lower, and so ARPU in maturing markets tends to fall.

Each of the Group's operating companies calculates its churn and ARPU differently and thus such data is not directly comparable. For a discussion of the methods by which the Group's mobile telecommunications operating companies calculate the number of their respective customers, churn and ARPU, see *"Presentation of Financial and Other Information"* and *"Management's Discussion and Analysis of Financial Conditions and Results of Operations – Factors Affecting Financial Condition and Results of Operations"*.

Wireline services

The Group offers fixed-line telecommunications services in Qatar, Indonesia and Oman. These services include direct exchange services in Qatar, international long-distance, cable television, satellite leasing and fixed internet services.

The following is a discussion of the most significant factors that have affected, or are expected to affect, the Group's financial condition and results of operations.

International acquisitions

Growth through the acquisition of existing telecommunications providers has been the primary driver of the Group's growth in its operations. Generally, the Group's acquisition strategy has involved identifying and acquiring assets, either in the form of companies with existing networks or licences to operate a network, in target markets and then investing to increase their efficiency and improve both coverage and capacity. Although acquisitions of companies with existing networks generally allow for the rapid expansion of capacity and immediate generation of cash flow, they often require a greater capital investment than would typically be necessary to achieve organic growth. For example, a significant amount of the Group's capital expenditures in 2011 and 2012 were made to improve network coverage and quality of operations in Indonesia, which the Group acquired in June 2008. In addition, acquisitions involve risks inherent in identifying and assessing the value, strengths and weaknesses of acquisition targets, as well as the potential for significant integration and efficiency improvement costs. Significant capital expenditures and risks are also involved when the Group acquires a licence to operate and is required to build its own network, as it did, for example, in Oman in 2005 when it became the first operator to compete with the majority state-owned incumbent provider of telecommunication services.

In 2009, 2010, 2011 and for the first nine months of 2012, the Group increased its existing interest in various of its subsidiaries and associates, the most notable of which were as follows:

- In March 2009, the Group increased its direct shareholding in Indosat from 40.8 per cent. to 65.0 per cent. through a public tender offer. Indosat contributed 25.8 per cent. of the Group's revenue for the nine month period ended 30 September 2012 and 62.4 per cent. of its customers as at 30 September 2012.
- In January 2011, Wataniya increased its direct shareholding in Tunisiana from 50.0 per cent. to 75.0 per cent., as part of a consortium with a third party to acquire a 50.0 per cent. direct shareholding in Tunisiana for a total cash consideration of U.S.\$1.2 billion. Following completion of the Group's tender offer in Wataniya in October 2012, the Group's indirect shareholding in Tunisiana increased to 69.1 per cent. Tunisiana contributed 8.0 per cent. of the Group's revenue for the nine month period ended 30 September 2012 and 7.9 per cent. of its customers as at 30 September 2012.
- In November 2011, Asia Mobile Holdings, an investment company jointly owned between Qtel and Singapore Technologies Telemedia, acquired a further 7.5 per cent. of StarHub, increasing its direct shareholding to 56.6 per cent. and the Group's indirect shareholding to 14.1 per cent.

- In June 2012, Qtel reached agreement to double its direct shareholding in Asiacell to 60.0 per cent. Qtel has initially increased its economic interest in Asiacell to 53.9 per cent. with the further increase in shareholding subject to Iraqi government and regulatory authority approval.
- In October 2012, Qtel completed a tender offer to acquire all of the remaining issued shares of Wataniya. Following the completion of this tender offer, Qtel increased its direct shareholding in Wataniya to around 92.1 per cent. for a total consideration of KD519.1 million (U.S.\$1.8 billion). This acquisition was funded via KD464.1 million (U.S.\$1,657.5 million) of existing cash reserves and KD55.0 million (U.S.\$196.4 million) of bank financing (of which KD10.0 million (U.S.\$35.7 million) is outstanding as at the date of this Base Prospectus).

The Group's acquisitions, coupled with organic growth, during 2009, 2010, 2011 and for the first nine months of 2012 have rapidly increased its revenues, customers and assets. For example, the Group's revenue for the nine month period ended 30 September 2012 was QR25,020.1 million (U.S.\$6,873.7 million), a 6.1 per cent. increase from QR23,573.0 million (U.S.\$6,476.1 million) for the nine month period ended 30 September 2011. In addition, the Group's revenue for the year ended 31 December 2011 was QR31,765.3 million (U.S.\$8,726.7 million), a 16.0 per cent. increase from QR27,376.6 million (U.S.\$7,521.0 million) for the year ended 31 December 2010. This increase was partly attributable to the acquisition of an additional stake in Tunisiana in January 2011 and the resulting increased share of revenue from this operation.

In addition, although liberalisation of the telecommunications markets (for example, the opening of Oman's markets, which enabled the Group to establish Nawras in 2005) provides an opportunity for the Group to expand into new markets, it also exposes the Group and its operating companies to greater levels of competition, which could have a negative impact on the Group's profitability, particularly in light of the relatively higher levels of profit margin experienced by the Group's Qatari operations compared to its operations outside Qatar. For example, for the nine month period ended 30 September 2012, the Group's Qatari operations generated revenue and profit of QR4,644.6 million (U.S.\$1,276.0 million) and QR1,148.1 million (U.S.\$315.4 million), respectively, reflecting a profit margin of 24.7 per cent., compared to revenue and profit of QR20,375.5 million (U.S.\$ 5,597.7 million) and QR2,849.3 million (U.S.\$782.8 million), respectively, for the Group's operations outside Qatar, reflecting a profit margin of 14.0 per cent.

The Group will continue to consider and review potential acquisition targets, if and when they present themselves, as a strategic means of entering new markets within the regions in which it operates, increasing its customer numbers and expanding its capacity.

Customer base

The Group had approximately 89.2 million total customers as at 30 September 2012, an 8.3 per cent. increase compared to approximately 82.4 million total customers as at 30 September 2011 and a 29.1 per cent. increase compared to approximately 69.1 million customers as at 30 September 2010. This increase was primarily attributable to an increase in subscribers in Indonesia, Kuwait and Iraq.

The table below shows mobile customer information in relation to the Group's principal mobile telecommunications businesses as at the dates indicated.

	Number of Prepaid Mobile Customers				Number of Postpaid Mobile Customers			
	As at 31 December		As at 30 September		As at 31 December		As at 30 September	
	2009	2010	2011	2012	2009	2010	2011	2012
	<i>(in thousands)</i>				<i>(in thousands)</i>			
Qatar.....	1,836.3	1,791.4	1,726.6	1,752.1	282.3	261.2	270.5	291.2
Indonesia	31,163.9	43,170.1	50,525.0	54,319.9	1803.3	565.5	655.6	597.9
Kuwait.....	245.0	1,439.3	1,623.1	1,631.4	245.0	231.4	230.1	294.3
Iraq.....	7,351.2	8,130.5	8,978.7	9,793.1	— ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾
Group.....	56,485.2	70,421.3	79,584.4	85,081.3	3,161.2	1,814.2	2,049.4	2,501.2

(1) The Group offers limited postpaid services in Iraq.

An increase in the number of its customers has been a significant factor in the growth of the Group's mobile telecommunications revenues during the years under review. In addition to increases resulting from the Group's acquisitions, as discussed above, demand for consumer

mobile voice and data services throughout the markets in which the Group operates, expansion of its mobile network and capacity, improvement in network quality, and the Group's marketing efforts to attract new customers have led to growth in the Group's revenues. The number and usage behaviour of new mobile customers in each market varies, depending in part on the pricing packages the Group offers in such markets during a particular period relative to those offered by its competitors.

As the market penetration for mobile customers in regions in which the Group operates increases, the average usage levels of new customers declines. Several factors have contributed to this trend, including increased usage of SMS, rather than voice services, and the various tariff packages the Group has offered to attract such new customers. Many new consumer mobile customers are either young retail customers or low income customers, some of whom typically use SMS heavily, but generate less mobile voice traffic than the Group's existing mobile customers. Such consumer mobile customers typically have higher price sensitivity and are more likely to switch telecommunications operators based on price and promotional factors.

Churn

"Churn" refers to how the Group measures mobile customer disconnections. Customer disconnections can occur on a voluntary basis, when customers switch to competing telecommunications operators which can be caused by a number of factors, such as pricing, the availability of data and value-added service offerings and quality of service. Customer disconnections also occur when a customer decides that it no longer requires, or cannot afford, mobile telecommunications services, or through termination by the Group.

In general, the Group has experienced relatively stable churn in Qatar and Kuwait. The Group believes that the churn rate outside Qatar and Kuwait during the periods under review was relatively high primarily due to the high turnover rate endemic to its pre-paid markets and to customers switching to other operators as a result of promotional offers.

As each of the Group's operating companies calculate churn differently, the Group does not present in this Base Prospectus its churn rate on a consolidated basis and thus these figures are not directly comparable. For a description of how the Group's four principal operations calculate churn, see "*Presentation of Financial and Other Information – Industry, Market and Customer Data – Customers*".

ARPU

In addition to customer numbers, the revenue generated by the Group's mobile telecommunications services is influenced by the amount of revenue generated by each of those customers. ARPU is the measure of total service revenues for a given period, divided by the number of months in that period and divided again by that period's average total customers. ARPU includes outgoing and incoming voice and data revenues, value-added services and roaming revenues. In addition, blended ARPU is the weighted average of prepaid and postpaid customer ARPU's of wireless services.

As each of the Group's operating companies calculate ARPU differently, the Group does not present in this Base Prospectus its ARPU on a consolidated basis and thus these figures are not directly comparable. For a description of how the Group's four principal operations calculate ARPU, see "*Presentation of Financial and Other Information – Industry, Market and Customer Data – ARPU*".

Demographic and economic trends

The Group's revenues are driven by overall market demand for mobile telecommunications services in the markets the Group serves, which is in turn directly affected by a number of macroeconomic and other trends. In particular, demand for the Group's services depends primarily on a number of demographic and economic factors, all of which are outside of its control, in particular population growth and gross domestic product ("**GDP**").

The demographic and economic dynamics affecting the Group's business vary substantially across the markets in which it operates. In addition, a number of these dynamics, such as population growth and GDP, can differ significantly between individual countries within a region.

These factors can vary significantly from period to period and do vary significantly from country to country and region to region and have historically impacted the Group's results of operations.

Future changes in these demographic and economic factors could have a material effect on the Group's business, financial condition, results of operations or prospects.

Competition in the markets in which the Group operates

The Group faces intensifying competition both from new entrants to the telecommunications markets in which the Group operates and from existing competitors. Increasing competition has also led, in certain markets, to declines in the prices the Group is able to charge for its services and may lead to further price declines in the future. In addition, the Group faces increasing competition in the markets in which it operates due to the entrance of new telecommunications services providers.

For example, the profitability of the Group's Qatari operations has in the past been driven in large part by the provision of telecommunications services in Qatar. However, the Group ceased to be the only provider of mobile telecommunications services in March 2009 when Vodafone Qatar launched commercial operations on a limited basis and began providing mobile telecommunications services. For example, as at 30 September 2012, Vodafone Qatar had 29.0 per cent. of the cellular customer market share in Qatar. This increased market share negatively affected the Group's APRU in Qatar in 2010 and 2011.

In Indonesia, Telkomsel and XL Axiata are the main competitors to Indosat's operations; in Iraq, Zain and Korek Telecom are the main competitors to Asiacell's operations; and in Kuwait, Zain and Viva are the main competitors to Wataniya's operations. Competition from these companies has historically resulted in a reduction in the Group's tariffs in those markets and the incurrence of additional costs by the Group to maintain its customer base in and to maintain revenues from those markets.

Network development and maintenance

Growth in the Group's revenue has been partially driven by expansion of capacity in its existing networks and the increase in coverage across the markets in which the Group operates, in addition to improvements in network quality. The Group's strategy is to increase its capacity in targeted regions if it believes that there is or will be demand in that region for its telecommunications services. When the Group makes decisions with respect to capacity development it also considers whether the expansion in areas for which coverage is provided will have a significant impact on its ability to attract new customers and retain existing customers. The Group plans to make significant investments to expand its services and improve their quality over the next two years, particularly in Indonesia, Iraq and Algeria. For instance, the Group plans to incur significant capital expenditures in Indonesia to increase its network capacity and coverage in order to enhance its competitiveness in the Indonesian market. For a discussion of the Group's capital expenditures, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flow – Capital Expenditures*" below.

Royalties and fees

Qatar

In accordance with a Decree by the Minister of Economy and Finance of Qatar in March 2010 and under its operating licence granted by ictQATAR, the Group is liable to pay to ictQATAR an annual industry fee of 12.5 per cent. on adjusted net profit and an annual licence fee of 1.0 per cent. on net revenue from regulated activities (which includes telephone services, call handling, messaging services, data services and wholesale fixed network services) generated from Qtel's operations in Qatar.

Oman

In accordance with the terms of the licence granted to Nawras to operate wireless telecommunications services in Oman, a royalty is payable to the Government of Oman, effective from March 2005, calculated based on 7.0 per cent. of the net of pre-defined sources of revenue and operating expenses.

Kuwait

Contributions by Wataniya to the Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and Zakat are recognised as expenses in the period during which the Group's contribution is legally required.

Critical Accounting Policies and Estimates

The preparation of Qtel's financial statements in conformity with IFRS requires it to make many estimates and judgments that affect the reported amounts of assets, liabilities, sales and costs. Those estimates and judgments are based on historical experience, available information, future expectations and other factors and assumptions that Qtel believes are reasonable under the circumstances. Qtel reviews its estimates and judgments on an ongoing basis and revises them when necessary. Qtel has identified below those of its accounting policies that it believes could potentially produce materially different results if it were to change its underlying assumptions, estimates and judgments. Actual results may differ from the original or revised estimates. Summaries of Qtel's significant accounting policies are contained in Note 3, "*Basis of preparation and summary of significant accounting policies*" of the Notes to the consolidated financial statements for 2011, and Notes 2 and 3, "*Basis of preparation*" and "*Summary of significant accounting policies*" of the Notes to the interim condensed consolidated financial statements for the nine month period ended 30 September 2012.

Revenue

Revenue represents the fair value of consideration received or receivable for communication services and equipment sales net of discounts and sales taxes. Revenue from rendering of services and sale of equipment is recognised when it is probable that the economic benefits associated with the transaction shall flow to the Group and the amount of revenue and the associated costs can be measured reliably.

The Group principally obtains revenue from providing the telecommunication services, comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, connection fees, equipment sales and other related services. The specific revenue recognition criteria applied to significant elements of revenue are set out below:

Revenue from rendering of services:

Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue arising from separable installation and connection services is recognised when it is earned. Subscription fee is recognised as revenue as the services are provided.

Interconnection revenue:

Revenues from network interconnection with other domestic and international telecommunications carriers are recognised based on the actual recorded traffic minutes.

Sales of prepaid cards:

Sale of prepaid cards is recognised as revenue based on the actual utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship.

Sales of equipment:

Revenue from sales of peripheral and other equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer which is normally when the equipment is delivered and accepted by the customer.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value as at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the

acquisition date through the consolidated income statement. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either as profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Assets in the course of construction are carried at cost, less any impairment. Land is not depreciated.

Items of property, plant and equipment are depreciated on a straight line basis with effect from the month following the date of first use over the estimated useful lives.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

The assets residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Results of operations

The following table sets forth selected consolidated income statement data for the nine month periods ended 30 September 2011 and 2012:

	For the nine months ended 30 September		
	2011	2012	2012
	(QRm)	(unaudited) (QRm)	(U.S.\$m)
Revenue from wireless services	20,909.2	22,186.7	6,095.3
Revenue from wireline services	2,663.8	2,833.4	778.4
Revenue	23,573.0	25,020.1	6,873.7
Operating expenses	(7,024.7)	(7,772.6)	(2,135.3)
Selling, general and administrative expenses	(5,571.7)	(5,617.3)	(1,543.2)
Depreciation and amortisation	(5,145.3)	(5,606.4)	(1,540.2)
Finance costs – net	(1,383.9)	(1,440.7)	(395.8)
Impairment of assets and available-for-sale investments	(15.8)	(250.6)	(68.8)
Gain on previously held interest in an acquired subsidiary	1,442.8	—	—
Other income / (expenses) – net	237.0	611.6	168.0
Share of results of associates	(43.4)	31.1	8.5
Royalties and fees	(260.4)	(257.8)	(70.8)
Net Profit Before Tax	5,807.6	4,717.4	1,296.0
Income tax	(764.6)	(720.0)	(197.8)
Net Profit for the period	5,043.0	3,997.4	1,098.2
Attributable to:			
Shareholders of the parent	2,149.3	2,420.9	665.1
Non-controlling interests	2,893.7	1,576.5	433.1

Comparison of the nine month period ended 30 September 2012 with the nine month period ended 30 September 2011

Revenue

The Group derives most of its revenue from providing mobile telecommunications services to its customers. It provides such services in each of the markets in which it operates. Mobile telecommunications services revenue principally arises from initial connection fees, prepaid cards, monthly subscription fees and airtime usage fees, as well as interconnection fees and roaming fees. The Group also generates revenues from providing internet services, international gateway services and other miscellaneous services.

The Group's revenue for the nine month period ended 30 September 2012 was QR25,020.1 million (U.S.\$ 6,873.7 million) compared to QR23,573.0 million (U.S.\$6,476.1 million) for the nine

month period ended 30 September 2011, an increase of 6.1 per cent. This increase in revenues was primarily due to a 16.4 per cent. and a 9.4 per cent. increase in revenues from the Group's operations in Iraq and Qatar, respectively.

Wireless Services: Most of the Group's wireless services revenue is derived from providing mobile telecommunications services to its customers. In the nine month period ended 30 September 2012, the Group derived revenues of QR22,186.7 million (U.S.\$6,095.3 million) from providing wireless services compared to revenues of QR20,909.2 million (U.S.\$5,744.3 million) for the nine month period ended 30 September 2011, an increase of 6.1 per cent. This increase in revenues was primarily due to the above-mentioned increase in revenues from the Group's operations in Iraq, which is derived solely from wireless services, and a 7.3 per cent. increase in wireless revenues from the Group's operations in Qatar.

Wireline Services: The Group's wireline services business consists primarily of its consumer broadband and fixed-line telephone services. In the nine month period ended 30 September 2012, the Group derived revenues of QR2,833.4 million (U.S.\$778.4 million) from providing wireline services compared to revenues of QR2,663.8 million (U.S.\$731.8 million) for the nine month period ended 30 September 2011, an increase of 6.4 per cent. This increase in wireline services revenues was primarily due to an increase in the number of customers in Qatar by 6.1 per cent. and corresponding revenues generated therefrom, although this increase was partially offset by a decrease in wireline services revenues in the Group's operations in Indonesia mainly due to an increase in customer churns.

Analysis of the Group's principal geographic markets. The following table sets forth the Group's revenue for the nine month periods ended 30 September 2011 and 2012, together with ARPU and customer numbers as at 30 September 2012 from each of its principal geographic markets, as well as for the Group itself.

	Revenue for the nine months ended 30 September			As at 30 September 2012	
	2011	2012	2012	ARPU ⁽¹⁾ (blended) ⁽³⁾	Customer numbers ⁽²⁾
	(QRm)	(QRm)	(U.S.\$m)	(Unaudited) (QR)	(in thousands)
Qatar	4,244.1	4,644.6	1,276.0	153.2	2,454.0
Indonesia.....	6,437.6	6,444.7	1,770.5	10.8	55,654.2
Kuwait	2,453.9	2,249.5	618.0	102.9	2,010.5
Iraq	4,331.0	5,040.5	1,384.8	58.8	9,793.1
Group	23,573.0	25,020.1	6,873.7	— ⁽⁴⁾	89,172.9

(1) For the three months ended 30 September 2012 for wireless services. ARPU, with respect to the four operations presented, is calculated on different bases and is thus not directly comparable. For a discussion of the differences in the calculation of ARPU for these four operations, see "Presentation of Financial and Other Information – Industry, Market and Customer Data – ARPU". ARPU data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

(2) As at 30 September 2012, includes both wireless and wireline customers. The customer data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

(3) Blended ARPU is the weighted average of prepaid and postpaid customer ARPUs of wireless services.

(4) The Group does not calculate ARPU on a consolidated basis.

The majority of the Group's revenue (73.5 per cent.) is derived from its operations in Qatar, Indonesia, Kuwait and Iraq. Revenues for the Group's operations in Qatar, Indonesia and Iraq increased for the nine month period ended 30 September 2012 compared to the nine month period ended 30 September 2011 primarily due to increases in mobile customers and related revenues. Revenue for the Group's operations in Kuwait decreased for the nine month period ended 30 September 2012 compared to the nine month period ended 30 September 2011 primarily due to increased competition and related pricing pressure in the Kuwait market, as well as a fall in revenues due to an increase in popularity of "over-the-top" services such as WhatsApp and Viber, which offer messaging and voice-over-internet-protocol (VOIP) calls via smartphone apps.

Operating expenses

Operating expenses are mainly comprised of outpayments, or payments to foreign telecommunications operators, and interconnection charges (to other operators in the same markets), cost of equipment sold, leased circuit network costs, rental, utilities, regulatory fees, repairs and maintenance costs. In the nine month period ended 30 September 2012, the Group's operating expenses amounted to QR7,772.6 million (U.S.\$2,135.3 million) compared to QR7,024.7 million (U.S.\$1,929.9 million) for the nine month period ended 30 September 2011, an increase of 10.6 per cent. This increase was primarily due to increases in payments to foreign telecommunications operators and interconnection charges, regulatory fees, cost of equipment sold and other services, network operation and maintenance costs as a result of organic growth within the Group.

Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of employee costs including salaries and end-of-service benefits, marketing costs, commissions on SIM cards and legal and other professional fees. In the nine month period ended 30 September 2012, the Group's selling, general and administrative expenses amounted to QR5,617.3 million (U.S.\$ 1,543.2 million) compared to QR5,571.7 million (U.S.\$1,530.7 million) for the nine month period ended 30 September 2011, an increase of 0.8 per cent. This increase was mainly due to increases in salaries and associated costs and commission on prepaid calling cards as a result of organic growth within the Group.

Depreciation and amortisation

In the nine month period ended 30 September 2012, depreciation and amortisation was QR5,606.4 million (U.S.\$1,540.2 million) compared to QR5,145.3 million (U.S.\$1,413.5 million) for the nine month period ended 30 September 2011, an increase of 9.0 per cent. This increase was mainly due to higher depreciation on fixed assets, which is reflected in terms of increased investment in capital expenditure predominantly for the expansion of the coverage, capacity and quality of the Group's telecommunication networks, and the reassessment of the useful life of various of Indosat's assets. As at 1 January 2012, Indosat reassessed the useful life of its tower and fencing assets from 15 years to 25 years and 10 years, respectively, its buildings from 20 years to 40 years, and its fixed wireless access technical equipment from 10 years to 7 years. In addition, following proposals to upgrade its network in order to fully utilise its 900 MHz frequency channel for 3G services, as at 1 September 2012, Indosat reassessed the useful life of its cellular technical equipment from 10 years to 8 years.

Finance costs – net

Finance costs – net consist of interest on the Group's debt reduced by interest income earned. For the nine month period ended 30 September 2012, the Group's finance costs – net amounted to QR1,440.7 million (U.S.\$395.8 million) compared to QR1,383.9 million (U.S.\$380.2 million) for the nine month period ended 30 September 2011, an increase of 4.1 per cent. This increase was principally due to lower interest income earned on deposits compared to the prior period as a result of reducing interest rates on deposits and utilization of deposits to repay a U.S.\$3 billion term loan in August 2012 which incurred a lower interest cost compared to the interest income being received on these deposits.

Impairment of assets and available-for-sale investments

For the nine month period ended 30 September 2012, the Group recorded impairment of assets and available-for-sale investments of QR250.6 million (U.S.\$68.8 million), compared to QR15.8 million (U.S.\$4.3 million) for the nine month period ended 30 September 2011, an increase of 1,486.1 per cent. This increase was primarily due to impairment recorded in certain non-core assets, principally the Group's operations in Saudi Arabia, and available-for-sale investments in some of the Group's subsidiaries.

Other income (expenses)

In the nine month period ended 30 September 2012, other income (expenses) was QR611.6 million (U.S.\$168.0 million) compared to QR237.0 million (U.S.\$65.1 million) for the nine month period ended 30 September 2011, an increase of 158.1 per cent. Other income (expenses) is comprised mainly of dividend income, gain or loss in fair value of derivatives, foreign exchange gain or loss and other miscellaneous income. This increase was primarily due to the gain

recognised on the tower sale and lease back transaction by Indosat in 2012 (see “*Business Description of the Group – Overview – International Expansion*”), although this was partly offset by an increase in foreign exchanges losses during the period.

Royalties and fees

Royalties and fees comprise those royalties and fees payable in Qatar and Oman in connection with the terms and conditions of the Group’s licences to operate in those countries and Kuwait statutory fees. For the nine month period ended 30 September 2012, royalties and fees payable amounted to QR257.8 million (U.S.\$70.8 million) compared to QR260.4 million (U.S.\$71.5 million) for the nine month period ended 30 September 2011, a marginal decrease of 1.0 per cent, primarily due to lower statutory fees paid in Kuwait as a result of lower profits for the nine month period ended 30 September 2012.

Net profit for the period

The Group’s net profit for the nine month period ended 30 September 2012 was QR3,997.4 million (U.S.\$ 1,098.2 million) compared to QR5,043.0 million (U.S.\$1,385.4 million) for the nine month period ended 30 September 2011, a decrease of 20.7 per cent.

This decrease is primarily due to the Group’s acquisition in January 2011 of a 25.0 per cent. additional shareholding interest in Tunisiana, as a result of which the Group’s ownership and voting interests in that entity, previously treated as a joint venture, increased from 50.0 per cent. to 75.0 per cent. Consequently, Tunisiana was fully consolidated within the Group’s consolidated financial statements, starting from the date control was obtained. The Group re-measured its previously held interests in Tunisiana at fair value and recognised a one-off revaluation gain in the profit or loss for the nine-month period ended 30 September 2011. The revaluation gain of QR1,442.8 million (U.S.\$396.4 million) in 2011 was attributed entirely to the interests of non-controlling shareholders, as the Group had taken its portion of this gain into account upon its original acquisition of its 50.0 per cent. joint venture interest in Tunisiana. Thus, the higher amount of net profit in the nine-month period ended 30 September 2011 largely reflects a one-off revaluation gain that is entirely attributed to the interests of non-controlling shareholders, rather than to factors relating to the ongoing operational performance of the Group. The impact of this one-off revaluation gain in 2011 is reflected by the 45.5 per cent. decrease in net profit attributable to non-controlling interests to QR1,576.5 (U.S.\$433.1 million) for the nine month period ended 30 September 2012 from QR2,893.6 (U.S.\$794.9 million) for the nine month period ended 30 September 2011. The absence of impact of this revaluation gain on the operational performance of the Group is reflected by the 12.6 per cent. increase in the Group’s net profit attributable to shareholders of Qtel to QR2,420.9 million (U.S.\$665.1 million) for the nine month period ended 30 September 2012 from QR2,149.3 million (U.S.\$590.5 million) for the nine month period ended 30 September 2011.

During the nine month period ended 30 September 2012, Asiacell was the most profitable operation for the Group, followed by operations in Qatar. The increase in operating profit amongst most segments of the Group during this period was partially offset by lower profitability of the Group’s operations in Wataniya, primarily in Kuwait. For a breakdown of segment revenue and profitability, see Note 19 “*Segment Information*” to the interim condensed consolidated financial statements for the nine months ended 30 September 2012.

Comparison of the years ended 31 December 2009, 2010 and 2011

The following tables sets forth selected consolidated income statement data for the years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December			
	2009	2010	2011	2011
	(QRm)	(QRm)	(QRm)	(U.S.\$m)
Revenue from wireless services.....	20,631.5	23,978.3	28,114.3	7,723.7
Revenue from wireline services.....	3,393.8	3,398.3	3,651.0	1,003.0
Revenue	24,025.3	27,376.6	31,765.3	8,726.7
Operating expenses	(7,327.6)	(8,734.6)	(9,958.4)	(2,735.8)
Selling, general and administrative expenses	(5,476.3)	(6,047.6)	(6,959.1)	(1,911.8)
Depreciation and amortisation	(5,484.2)	(6,317.4)	(7,014.7)	(1,927.1)
Finance costs – net	(1,498.2)	(1,804.4)	(1,902.3)	(522.6)
Impairment of assets and available-for-sale investments	(386.8)	(46.3)	(221.5)	(60.9)
Gain on previously held interest in an acquired subsidiary	—	—	1,442.8	396.4
Other income / (expenses) – net	1,144.0	657.6	71.2	19.6
Share of results of associates.....	9.4	(129.6)	(56.9)	(15.6)
Royalties and fees.....	(459.2)	(320.8)	(312.2)	(85.8)
Net Profit Before Tax	4,546.2	4,633.5	6,854.2	1,883.0
Income tax	(618.0)	(545.6)	(911.0)	(250.3)
Net Profit for the year	3,928.3	4,087.9	5,943.2	1,632.7
Attributable to:				
Shareholders of the parent	2,825.3	2,887.8	2,605.6	715.8
Non-controlling interests	1,103.0	1,200.1	3,337.6	916.9

Revenue

The Group's revenue for the year ended 31 December 2011 was QR31,765.3 million (U.S.\$8,726.7 million) compared to QR27,376.6 million (U.S.\$7,521.0 million) for the year ended 31 December 2010, an increase of 16.0 per cent. Revenue for the year ended 31 December 2010 increased by 13.9 per cent., from QR24,025.3 million (U.S.\$6,600.4 million) for the year ended 31 December 2009. The increase in revenue in 2011 compared to 2010 was primarily due to inclusion of a full year of revenue from operations in Tunisia since the Group increased its stake in Tunisiana in January 2011, compared to the 50.0 per cent. proportionate revenue recognised in the prior year, in addition to an increase in revenue from wireless services in Iraq, Indonesia and Kuwait. The increase in revenue in 2010 compared to 2009 was primarily due to an increase in revenue from wireless services in Indonesia and Iraq, in addition to organic growth within certain other markets in which the Group operates.

Wireless Services: The Group derived QR28,114.3 million (U.S.\$7,723.7 million) (88.5 per cent. of its total revenue), for the year ended 31 December 2011 from its wireless services, as compared to revenue of QR23,978.3 million (U.S.\$6,587.4 million) (87.6 per cent. of its total revenue) for the year ended 31 December 2010, an increase of 17.2 per cent. The Group's revenues from wireless services for the year ended 31 December 2010 increased by 16.2 per cent., from QR20,631.5 million (U.S.\$5,668.0 million) (85.9 per cent. of its total revenue) for the year ended 31 December 2009. The increase in wireless services revenues in 2011 was primarily due to inclusion of a full year of revenue from Tunisia since the Group increased its stake in January 2011 compared to the 50 per cent. proportionate revenue recognised in the prior year, in addition to organic growth in customer numbers in most of the markets in which the Group operates, which was offset in part by a reduction in ARPU in certain markets in which the Group operates. The increase in wireless revenue in 2010 compared to 2009 was attributed to organic growth in customer numbers in most of the markets in which the Group operates, offset in part by a reduction in ARPU in certain markets in which the Group operates.

Wireline Services: The Group derived QR3,651.1 million (U.S.\$1,003 million) (11.5 per cent. of the Group's total revenue) for the year ended 31 December 2011, from such services, as compared to revenue of QR3,398.3 million (U.S.\$933.6 million) (12.4 per cent. of its total revenue) for the year ended 31 December 2010, an increase of 7.4 per cent. The Group's revenues from wireline services for the year ended 31 December 2010 increased marginally from QR3,393.8 million (U.S.\$932.4 million) (14.1 per cent. of its total revenue) for the year ended 31 December 2009. The increase in wireline services revenue in 2011 compared to 2010 and 2009 was primarily due to an increase in the number of broadband customers in Qatar.

Analysis of the Group's principal geographic markets: The following table sets forth the Group's revenue for the years ended 31 December 2009, 2010 and 2011, together with ARPU and customer numbers as at 31 December 2011 from each of its principal geographic markets, as well as for the Group itself.

	Revenue for the year ended 31 December				As at 31 December 2011	
	2009	2010	2011	2011	ARPU (blended) ⁽¹⁾	Customer numbers ⁽²⁾
	(Unaudited)					
	(QRm)	(QRm)	(QRm)	(U.S.\$m)	(QR)	(in thousands)
Qatar.....	5,686.2	5,597.1	5,704.4	1,567.1	145.2	2,375.5
Kuwait.....	2,579.5	2,826.7	3,222.5	885.3	118.8	1,957.7
Iraq.....	3,998.2	5,054.3	5,933.8	1,630.2	60.1	8,978.7
Indonesia	6,579.0	7,941.7	8,550.1	2,348.9	10.2	51,941.5
Total Group..	24,025.3	27,376.6	31,765.3	8,726.7	— ⁽³⁾	83,352.0

(1) For the three months ended 31 December 2011. Blended ARPU is calculated based on a weighted average of post-paid and prepaid customers for wireless services. For a discussion of the calculation of ARPU, see "Presentation of Financial and Other Information – Industry, Market and Customer Data – ARPU". ARPU data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

(2) As at 31 December 2011, inclusive of wireless and wireline customers. The customer data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

(3) The Group does not calculate ARPU on a consolidated basis.

Operating expenses

Operating expenses for the year ended 31 December 2011 were QR9,958.4 million (U.S.\$2,735.8 million) as compared to QR8,734.6 million (U.S.\$2,399.6 million) for the year ended 31 December 2010, an increase of 14.0 per cent. Operating expenses for the year ended 31 December 2010 increased by 19.2 per cent., from QR7,327.6 million (U.S.\$2,013.1 million) for the year ended 31 December 2009.

These increases were primarily due to an increase in interconnection charges that the Group must pay to other telecommunications providers, in large part as a consequence of having acquired operations outside Qatar, where the presence of multiple operators generally results in more frequent interconnections with such operators.

During the years under review, Qtel's other operating expenses in Qatar were significantly lower relative to the revenue generated, compared to the Group's operations outside Qatar. Operating expenses for Qtel amounted to 16.6 per cent., 21.2 per cent. and 25.6 per cent. of the revenue from Qtel for the years ended 31 December 2009, 2010 and 2011, respectively, compared to 34.8 per cent., 34.7 per cent., and 32.6 per cent., respectively, for the Group's operations outside Qatar during these years. The higher proportion of other operating expenses relative to revenue for operations outside Qatar were primarily due to relatively lower ARPU in the Group's operations outside Qatar.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended 31 December 2011 were QR6,959.1 million (U.S.\$1,911.8 million) as compared to QR6,047.6 million (U.S.\$1,661.4 million) for the year ended 31 December 2010, an increase of 15.1 per cent. General and administrative expenses for the year ended 31 December 2010 increased by 10.4 per cent., from QR5,476.3 million (U.S.\$1,504.5 million) for the year ended 31 December 2009. The increases in the Group's

general and administrative expenses principally resulted from increases in salaries of Qtel's employees, the introduction of a tax in Kuwait in relation to SIM cards in July 2011, and increased marketing costs and legal and professional fees as a result of organic growth within the Group.

During the years under review, Qtel's total selling, general and administrative expenses, depreciation and amortisation expenses for its Qatari operations were significantly lower relative to the revenue generated by its Qatari operations as compared to the Group's operations outside Qatar. Total selling, general and administrative expenses, depreciation and amortisation expenses for Qtel's Qatari operations amounted to 36.0 per cent., 35.3 per cent., and 34.2 per cent. of the revenue from Qtel's Qatari operations for the years ended 31 December 2009, 2010 and 2011, respectively, compared to 48.6 per cent., 47.7 per cent. and 46.1 per cent., respectively, for the Group's operations outside Qatar. The higher general and administrative expenses relative to the revenue for operations outside Qatar were primarily due to the relatively lower ARPU in the Group's operations outside Qatar.

Finance costs – net

Finance costs – net for the year ended 31 December 2011 were QR1,902.3 million (U.S.\$522.6 million) as compared to QR1,804.4 million (U.S.\$495.7 million) for the year ended 31 December 2010, an increase of 5.4 per cent. Finance costs – net for the year ended 31 December 2010 increased by 20.4 per cent. from QR1,498.2 million (U.S.\$411.6 million) for the year ended 31 December 2009. These increases in finance costs – net were primarily due to additional interest on borrowings incurred at the Qtel level as a result of the bond issuance under its Global Medium Term Note Programme. The majority of the Group's consolidated debt is owed by Qtel and Indosat. For a discussion of the Group's liquidity and capital resources, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.*"

Impairment of assets and available-for-sale investments

For the year ended 31 December 2011 the Group recorded impairment losses on intangibles and available-for-sale investments of QR221.5 million (U.S.\$60.9 million) compared to QR46.3 million (U.S.\$12.7 million) for the year ended 31 December 2010 and QR386.8 million (U.S.\$106.3 million) for the year ended 31 December 2009. This increase in impairment losses on intangibles and available-for-sale investments in the year ended 31 December 2011 was primarily due to impairment recorded in certain non-core assets, principally the Group's operations in Saudi Arabia. The decrease in impairment losses on intangibles and available-for-sale investments in the year ended 31 December 2010 was primarily due to lower impairment of available-for-sale investments in some of the Group's subsidiaries compared to the year ended 31 December 2009.

Gain on previously held interest in an acquired subsidiary

Gains on previously held interests in acquired subsidiaries for the year ended 31 December 2011 was QR1,442.8 million (U.S.\$396.4 million), in comparison to nil for the years ended 31 December 2010 and 31 December 2009. For an explanation, see "*Comparison of the nine month period ended 30 September 2012 with the nine month period ended 30 September 2011 – Net profit for the period*" above.

Other income / (expenses)

Other income (expenses) for the year ended 31 December 2011 was QR71.2 million (U.S.\$19.6 million) as compared to QR657.6 million (U.S.\$180.7 million) for the year ended 31 December 2010, a decrease of 89.2 per cent. Other income for the year ended 31 December 2010 decreased by or 42.5 per cent., from QR1,144.0 million (U.S.\$314.3 million) for the year ended 31 December 2009. The decreases in other income in 2010 and 2011 were primarily due to a decrease in one-off miscellaneous income and gains on foreign exchange. In addition, in March 2010, the government of Qatar issued a decree pursuant to which Qtel ceased payment of royalties with effect from 7 October 2007. The decree further provided that Qtel was required to pay annual industry and licence fees subsequent to 7 October 2007. This resulted in a write-back of accruals amounting to QR554 million (U.S.\$152.2 million), which has been included under other income/ (expenses) for the year ended 31 December 2010.

Royalties and fees

Royalties and fees for the year ended 31 December 2011 were QR312.2 million (U.S.\$85.8 million) as compared to QR320.8 million (U.S.\$88.1 million) for the year ended 31 December 2010, a

decrease of 2.7 per cent. Royalties and fees for the year ended 31 December 2010 decreased by 30.1 per cent., from QR459.2 million (U.S.\$126.2 million) for the year ended 31 December 2009. The decrease between 31 December 2009 and 31 December 2010 was primarily due to the impact of moving from the 25.0 per cent. royalty fee regime to an annual industry fee of 12.5 per cent. of adjusted net profit and an annual licence fee of 1.0 per cent. of net revenue calculated, respectively, on profits and net revenue from Qtel's regulated operations in Qatar, which was deemed by Qtel to be effective from 1 March 2009 when Vodaphone Qatar switched on its network for two way communication (although the government of Qatar subsequently determined this should have been effective since 7 October 2007), see "*Other income/(expenses)*" above. Of these royalties and fees, QR149.9 million (U.S.\$41.2 million) was payable to Qatar for the year ended 31 December 2011 compared to QR156.2 million (U.S.\$42.9 million) and QR297.0 million (U.S.\$81.6 million) in the years ended 31 December 2010 and 2009, respectively. See "*Business Description of the Group – Corporate History – Qatari Origins*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Financial Condition and Results of Operations – Royalties and fees – Qatar*" above for a discussion of Qtel's royalty liabilities.

Net profit for the Year

As a result of the factors described above, net profit for the year ended 31 December 2011 was QR5,943.2 million (U.S.\$1,632.7 million), as compared to QR4,087.9 million (U.S.\$1,123.0 million), for the year ended 31 December 2010, an increase of 45.4 per cent. Profit for the year ended 31 December 2010 increased by 4.1 per cent. from QR3,928.3 million (U.S.\$1,079.2 million) for the year ended 31 December 2009. During the years under review, Qtel's operations in Qatar were more profitable than the Group's operations outside Qatar. Profit as a percentage of revenue from Qtel's operations in Qatar was 29.9 per cent., 36.8 per cent. and 23.4 per cent. for the years ended 31 December 2009, 2010 and 2011, respectively, compared to 12.1 per cent., 9.3 per cent. and 17.7 per cent., respectively, for the Group's operations outside Qatar. The difference in profit margins during the years under review was primarily due to the significantly lower expenses as a percentage of revenue and relatively higher ARPU in Qatar compared to operations outside Qatar.

Liquidity and Capital Resources

Historically, the Group's principal sources of funding have been cash flow from operations and borrowings under loan facilities. The Group has used cash generated from operating activities and borrowings to fund its operating costs and capital expenditures. In April 2012, the Group announced an increase in Qtel's share capital by way of offering new shares to existing shareholders in the proportion of two shares for every five shares held. This rights issue was fully subscribed and raised around QR6.8 billion (U.S.\$1.9 billion), which enabled the Group to maintain a strong equity base.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flow – Indebtedness*" for a description of the Group's indebtedness and related borrowings.

Cash Flow

The following tables set forth certain information about the Group's consolidated cash flows for the nine month periods ended 30 September 2011 and 2012 and the years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December				For the nine months ended 30 Sept.		
	2009	2010	2011	2011	2011	2012	2012
	(QRm)	(QRm)	(QRm)	(U.S.\$m)	(QRm)	(unaudited) (QRm)	(U.S.\$m)
Cash flow statement data:							
Net cash from operating activities.....	9,968.1	10,195.4	7,937.2	2,180.5	8,431.5	8,428.9	2,315.6
Net cash used in investing activities	(9,054.6)	(5,944.5)	(8,279.2)	(2,274.5)	(6,495.3)	(3,412.6)	(937.5)
Net cash from/(used in) financing activities...	3,637.7	10,007.8	(3,940.1)	(1,082.4)	(3,560.8)	(10,194.0)	(2,800.5)
Net increase in cash and cash equivalents	4,551.2	14,258.7	(4,282.1)	(1,176.4)	(1,624.6)	(5,177.7)	(1,422.4)
Net foreign exchange difference	(715.5)	(187.1)	(224.9)	(61.8)	(249.8)	307.6	84.5
Cash and cash equivalents as at 1 January...	7,650.7	11,486.3	25,557.9	7,021.4	25,557.9	21,050.9	5,783.2
Cash and cash equivalents	11,486.3	25,557.9	21,050.9	5,783.2	23,683.5	16,180.8	4,445.3

Net cash from operating activities

For the nine month period ended 30 September 2012, net cash from operating activities was QR8,428.9 million (U.S.\$2,315.6 million) compared to QR8,431.5 million (U.S.\$2,316.3 million) for the nine month period ended 30 September 2011, a marginal decrease.

Net cash from operating activities for the year ended 31 December 2011 was QR7,937.2 million (U.S.\$2,180.5 million) as compared to QR10,195.4 million (U.S.\$2,800.9 million) for the year ended 31 December 2010, a decrease of 22.1 per cent. This decrease was primarily due to an increase in working capital requirements.

Net cash from operating activities for the year ended 31 December 2010 increased by 2.3 per cent. as compared to QR9,968.1 million (U.S.\$2,738.5 million) for the year ended 31 December 2009. The increase was primarily due to an increase in cash generated from operations as a result of higher profits.

Net cash used in investing activities

For the nine month period ended 30 September 2012, net cash used in investing activities was QR3,412.6 million (U.S.\$937.5 million) compared to QR6,495.3 million (U.S.\$1,784.4 million) for the nine month period ended 30 September 2011, a decrease of 47.5 per cent. The decrease was primarily due to proceeds received for the tower sale and leaseback transaction by Indosat in August 2012 and lower investing activities compared to the previous year during which the Group incurred the acquisition costs of a controlling interest in Tunisiana in January 2011.

Net cash used in investing activities for the year ended 31 December 2011 was QR8,279.2 million (U.S.\$2,274.5 million) as compared to QR5,944.5 million (U.S.\$1,633.1 million) for the year ended 31 December 2010, an increase of 39.3 per cent. This increase was primarily due to the acquisition costs of a controlling interest in Tunisiana in January 2011.

Net cash used in investing activities for the year ended 31 December 2010 decreased by 34.3 per cent. as compared to QR9,054.6 million (U.S.\$2,487.5 million) for the year ended 31 December 2009. This decrease was primarily due to a decrease in the value of property, plant and equipment and intangible assets purchased in 2010.

Net cash from/(used in) financing activities

For the nine month period ended 30 September 2012, net cash used in financing activities was QR10,194.0 million (U.S.\$2,800.5 million) compared to net cash used in financing activities of QR3,560.8 million (U.S.\$978.2 million) for the nine month period ended 30 September 2011, an increase of 186.3 per cent. The primary cause of this increase was the repayment of Group debt maturing during this period, offset in part by the proceeds from Qtel's rights issue.

Net cash used in financing activities for the year ended 31 December 2011 was QR3,940.1 million (U.S.\$1,082.4 million) as compared to net cash from financing activities of QR10,007.8 million (U.S.\$2,749.4 million) for the year ended 31 December 2010. This change was primarily due to proceeds from the bond issuance in 2010.

Net cash from financing activities for the year ended 31 December 2010 increased by 175.1 per cent. as compared to QR3,637.7 million (U.S.\$999.4 million) for the year ended 31 December 2009. This increase was principally due to proceeds from the bond issuance in 2010 (see "Indebtedness" below) and higher cash used in financing activities in 2009 for the acquisition cost of an increased stake in Indosat through a tender offer.

Indebtedness

Most of the Group's indebtedness has been incurred by either Qtel, Qtel International Finance Limited or Indosat. As at 30 September 2012, the Group had outstanding indebtedness of QR33.4 billion (U.S.\$9.2 billion). In addition, the Group had an additional QR7.5 billion (U.S.\$2.1 billion) under their facilities that remain undrawn. As at 30 September 2012, 67.5 per cent. of the Group's indebtedness was owed by Qtel (which includes debt held by Qtel International Finance Limited), 24.9 per cent. by Indosat and the remaining 7.6 per cent. by other companies within the Group. As at 30 September 2012, the Group's consolidated indebtedness included QR2,546.5 million (U.S.\$699.6 million) in outstanding indebtedness of its subsidiaries (excluding Indosat), including term loan facilities and syndicated loans, of which approximately 50.0 per cent. were secured by pledges of those subsidiaries' and joint ventures' assets and shares.

The following table sets out a breakdown of the outstanding indebtedness of the Group as of 30 September 2012:

Description of Indebtedness

	Total financing amount		Total indebtedness outstanding ⁽¹⁾		Maturity
	(QRm)	(U.S.\$m)	(QRm)	(U.S.\$m)	
Qtel International Finance Limited					
Global Medium Term Note Programme	18,200.0	5,000.0	15,470.0	4,250.0	2014/16/19/21/25
Qtel					
Dual tranche revolving credit facility.....	7,280.0	2,000.0	7,280.0	2,000.0	2013/15
Revolving credit facility.....	3,000.0	824.2	—	—	2013
Revolving credit facility.....	3,238.4	889.7	—	—	2013
Indosat and its subsidiaries					
Various local and international bonds and loans.....	9,241.1	2,538.8	8,389.6	2,304.8	2013-22
Wataniya and its subsidiaries					
Revolving credit facility (Wataniya Kuwait)	325.0	89.3	259.0	71.2	2013
Local loans (Nedjma)	672.3	184.7	311.9	85.7	2013
International loans (Nedjma)	1,104.7	303.5	541.5	148.8	2013/15
International loan (Wataniya Maldives)	98.3	27.0	10.9	3.0	2012
International loan (Wataniya Palestine).....	309.4	85.0	203.4	55.9	2016
Asiacell⁽²⁾					
Various term loans.....	1,238.0	340.1	1,006.0	276.4	2015
Nawras					
Term loan	316.7	87.0	285.4	78.4	2017
Revolving credit facility.....	227.2	62.4	—	—	2017

(1) Amounts excluding deferred financing costs.

(2) Includes indebtedness of Midya Telecom Company Limited, Iraq.

Global Medium Term Note Programme

In May 2009, the Group established a U.S.\$5.0 billion (QR18.2 billion) Global Medium Term Note Programme to allow for the issuance of notes (the “**Notes**”). The first tranche of Notes, amounting to U.S.\$1.5 billion (QR5.4 billion), was issued in June 2009, and the second tranche of Notes, amounting to U.S.\$2.75 billion (QR10.0 billion) was issued in October 2010. Qtel, had, as at 30 September 2012, provided an unconditional and irrevocable guarantee in respect of the Notes.

The documentation relating to the Notes contains customary operating and financial covenants common to agreements of this type which include covenants that restrict the Group’s ability to dispose of the whole or substantially the whole of its undertaking or the whole or the greater part of its assets. The documentation relating to the Notes also contains customary events of default, including, but not limited to, non-payment, breach of other obligations set forth in the agreement, misrepresentation of or material non-compliance with a representation or warranty, and certain insolvency, winding-up and related events.

Indebtedness of Qtel

In April 2010, Qtel entered into a dual-tranche revolving credit facility for a principal amount of U.S.\$1,250.0 million, maturing on 26 May 2013 and a principal amount of U.S.\$750.0 million, maturing on 26 May 2015 and bearing interest at a floating interest rate of LIBOR plus 115-145 basis points. In August 2012, Qtel fully repaid and cancelled a U.S.\$3.0 billion term loan facility that was originally drawn down in 2007.

Qtel entered into two Kuwaiti Dinar-denominated financing facilities for KD250.0 million (U.S.\$892.5 million) in September 2012 and KD20.0 million (U.S.\$71.4 million) in October 2012, each bearing interest at a floating interest rate of the Central Bank of Kuwait Discount Rate plus 50 basis points. In addition, in November 2012, Qtel entered into an 18-month, U.S.\$500.0 million Islamic murabaha financing facility, bearing profit at a floating rate of LIBOR plus 95 basis points.

The documentation relating to each of the credit facilities contains customary events of default, including, but not limited to, non-payment, breach of other obligations set forth in the agreement,

misrepresentation of or material non-compliance with a representation or warranty, and certain insolvency, winding-up and related events.

Indebtedness of Indosat and its subsidiaries

Indosat has entered into several loan agreements, issued fixed and floating rate bonds and its financing subsidiary has issued notes guaranteed by Indosat. As at 30 September 2012, outstanding indebtedness of Indosat was Rp21,847.5 billion (U.S.\$2,304.8 million).

The documentation relating to these credit facilities contains certain covenants to be applied at the Indosat level, including, but not limited to, financial covenants relating to the maintenance of debt service, interest cover and leverage ratios, and certain restrictive covenants relating to the business of Indosat and its subsidiaries including, but not limited to, restrictions on disposals and change in business. The documentation relating to these credit facilities also contains customary events of default, including, but not limited to, non-payment, breach of other obligations set forth in the agreement, misrepresentation of or material non-compliance with a representation or warranty, and certain insolvency, winding-up and related events.

Indebtedness of Asiacell

In June 2012, Asiacell entered into a three-year, U.S.\$200.0 million (QR728.0 million) financing facility bearing interest at a floating rate. Subsequently, in October 2012, Asiacell entered into a three-year, U.S.\$100.0 million (QR364.0 million) financing facility bearing interest at a floating rate. Both facilities are fully guaranteed by Qtel. As at 30 September 2012, outstanding indebtedness of Asiacell was U.S.\$261.7 million (QR952.7 million).

Contractual Obligations

The following table presents the Group's contractual obligations as at 30 September 2012:

	Payment due by period							
	Total	Less than 1 year	1-5 years	More than 5 years	Total	Less than 1 year	1-5 years	More than 5 years
	(QRm)				(U.S.\$m)			
Interest bearing loans and borrowings ⁽¹⁾	33,771.5	6,885.6	14,472.7	12,413.2	9,277.8	1,891.6	3,976.0	3,410.2
Finance leases	524.8	45.5	221.2	258.1	144.2	12.5	60.8	70.9
Licence costs payable	949.8	158.6	691.9	99.3	261.0	43.6	190.1	27.3
Operating lease obligation	918.3	201.5	495.0	221.8	252.3	55.4	136.0	60.9
Total	36,164.4	7,291.2	15,880.8	12,992.4	9,935.3	2,003.1	4,362.9	3,569.3

(1) Interest bearing loans and borrowings includes all of the Group's current and non-current loans and borrowings as at 30 September 2012. See Note 14, "Interest bearing loans and borrowings", of the Notes to the Interim Condensed Consolidated Financial Statements for the period ended 30 September 2012. For a discussion of the tender offer term agreement, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness" above.

The Group also had capital expenditure commitments as at 30 September 2012 for QR2,209.4 million (U.S.\$607.0 million).

Capital Expenditures

For the year ended 31 December 2011 the Group incurred capital expenditures for property, plant and equipment of QR6,574.9 million (U.S.\$1,806.3 million), as compared to capital expenditures of QR6,941.8 million (U.S.\$1,907.1 million) for the year ended 31 December 2010 and QR8,455.0 million (U.S.\$2,322.8 million) for the year ended 31 December 2009. The Group's capital expenditures are predominantly for the expansion of the coverage, capacity and network quality in the Group's mobile networks and the deployment of new technologies. The Group's capital expenditures in the year ended 31 December 2011 decreased as compared to the year ended 31 December 2010, and for the year ended 31 December 2010 as compared to the year ended 31 December 2009, primarily due to the Group's recent focus on actively controlling its costs to improve its profit margins as part of an ongoing cost optimisation programme being implemented across all operations.

The Group expects that most of its capital expenditures in the near future will be related to expanding, developing and improving its networks, including in Qatar, Indonesia and Iraq, and expects its capital expenditures in 2012 to be approximately QR7.3 billion (U.S.\$2.0 billion) to QR8.0 billion (U.S.\$2.2 billion), of which QR4.2 billion (U.S.\$1.2 billion) had already been spent as at 30 September 2012. The Group currently does not expect its overall level of capital expenditures to increase or decrease dramatically in the next two years.

Off-Balance Sheet Arrangements

The Group does not have any off-balance sheet arrangements that have or are reasonably expected to have a material current or future effect on its financial condition, revenue, expenses, results of operations, liquidity, capital expenditures or capital resources. As at 30 September 2012, Qtel had QR380.1 million (U.S.\$104.4 million) of contingent liabilities in the form of letters of guarantee and QR98.8 million (U.S.\$27.1 million) of contingent liabilities in the form of letters of credit, which Qtel utilises in the ordinary course of business in connection with its operations and also certain legal claims. See Note 17, "*Contingent Liabilities*", to the interim condensed consolidated financial statements for the nine months ended 30 September 2012 for a description of Qtel's commitments and contingencies.

Quantitative and Qualitative Disclosures About Market Risk

The Group is exposed to market risks from changes in both foreign currency exchange rates and interest rates. It is also exposed to credit and liquidity risks. The Group uses financial instruments, such as foreign exchange forward contracts, cross-currency swaps, foreign currency options and interest rate swaps to manage these market risks. To date, the Group has not used any derivatives or other financial instruments for trading or speculative purposes. For further information regarding the Group's market risk, see Note 35, "*Financial Risk Management*", to the consolidated financial statements for the year ended 31 December 2011.

Interest Rate Risk

The Group is subject to market risk resulting from changes in interest rates, which may affect the cost of its current floating rate loans and borrowings and future financing. The Group's interest bearing financial liabilities subject to a floating interest rate amounted to QR10.2 billion (U.S.\$2.8 billion) as at 30 September 2012. The proportion of the Group's indebtedness that was subject to floating interest rates increased by 19.2 per cent. between 31 December 2011 and 30 September 2012. The increase is primarily due to the retirement by Qtel of U.S.\$3 billion of floating to fixed interest rate swaps in August 2012 further to the repayment by Qtel of a U.S.\$3 billion facility (see "*Indebtedness*" above). A hypothetical 25 basis point change in interest rates on the floating rate portion of the Group's loans and borrowings would result in a change in its finance costs of approximately QR25.8 million (U.S.\$7.1 million) per year.

Currency Risk

The Group has operations across the MENA, the Asian Subcontinent and the Asia Pacific regions and operates in a number of foreign currencies, which gives rise to transactional and translational foreign exchange risk. The Group's various assets and liabilities that were denominated mainly in U.S. dollars, Indonesian Rupiah, euros and certain other currencies. The Group's main functional currency, the Qatari Riyal, is pegged to the U.S. dollar. The Group manages both transactional and translational currency risks by funding in the respective currency of the acquired asset and by cross-currency swaps as appropriate and where legally possible.

Credit Risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The Group provides telecommunications services to a variety of customers and distributors of its prepaid cards. The Group seeks to limit its credit risk with respect to customers by: subjecting all customers receiving credit to credit verification procedures; monitoring, on an ongoing basis, receivable balances; and setting limits on the amount of service each customer may purchase, which are reviewed regularly with regard to the level of past transactions and settlement. In addition, the Group's receivable balances are monitored on an ongoing basis to limit its exposure to bad debts. The Group seeks to limit its credit risk with respect to distributors by selling prepaid cards through its own shops and through subsidiary distributors and by obtaining bank guarantees from third-party distributors. With respect to credit risk arising from the Group's

other financial assets, which comprise cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty (mainly financial institutions), with a maximum exposure equal to the carrying amount of these instruments. The Group maintains credit limits with respect to counterparties that are financial institutions.

Liquidity Risk

The Group seeks to maintain a balance between continuity of funding and flexibility through the use of cash in hand, overdrafts, bank facilities and a conservative debt maturity profile to reduce its exposure to liquidity risk. Specifically, it seeks to limit liquidity risk by ensuring that bank facilities are available.

As at 30 September 2012, the Group had cash balances and undrawn committed facilities to provide liquidity as required, including approximately QR7.5 billion (U.S.\$2.1 billion) available under the Group's facility agreements and cash and bank balances of QR16,383.1 million (U.S.\$4,500.9 million). The acquisition of an increased direct shareholding in Wataniya in October 2012 was funded via KD464.1 million (U.S.\$1,657.5 million) of existing cash reserves and KD55.0 million (U.S.\$196.4 million) of bank financing (see "*Factors Affecting Financial Condition and Results of Operations – International Acquisitions*").

Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations of IFRS have been issued but are not yet effective. For a discussion of these recent accounting pronouncements, see Note 3.2, "*Changes in accounting policies and disclosures*" in the Notes to the consolidated financial statements for the year ended 31 December 2011.

The Group anticipates that all of these standards and interpretations will be adopted in its consolidated financial statements from their effective dates. The Group does not expect that the application of these new standards and amendments will have a material effect on its consolidated financial statements.

BUSINESS DESCRIPTION OF THE GROUP

Overview

The Group is an international telecommunications company primarily operating mobile telecommunications networks in 16 countries in the MENA, Asian Subcontinent and Asia Pacific regions, with a total customer base of 89.2 million as at 30 September 2012, of which the Group's proportionate interest (based on the Group's percentage ownership of the companies whose customer numbers are included in the Group's total) was 53.6 million customers. The Group operates a portfolio of brands including Qtel, Indosat, Wataniya, Asiacell, Tunisiana, Nedjma and Nawras. The Group's principal activity is the provision of wireless (comprising cellular telephone technologies and services) and wireline (comprising broadband solutions and fibre technologies) services to both the consumer and business markets.

The Group's parent company is Qtel, whose shares are listed on the Qatar Exchange and the Abu Dhabi Securities Exchange. Qtel was originally established as Qatar Public Telecommunications Corporation on 29 June 1987, to provide domestic and international telecommunication services within Qatar. The Company is one of the telecommunications service providers licensed by ictQATAR to provide both fixed and mobile telecommunications services in Qatar. As a licensed service provider, the conduct and activities of Qtel are regulated by ictQATAR pursuant to Law No. 34 of 2006 (the "**Qatari Telecommunications Law**") and the Applicable Regulatory Framework. The Company's registered office is located at 100 Westbay Tower, Doha, Qatar.

The Group believes that its four most significant markets are as follows:

- **Qatar:** the Group operates in Qatar through Qtel, which, until March 2009, was the only provider of fixed line and mobile telecommunications services in Qatar. Qtel provides mobile telecommunications to both postpaid and prepaid customers, fixed line telephony and internet access, corporate data services, cable television and international gateway services in Qatar. For the nine month period ended 30 September 2012, Qtel's operations contributed 18.6 per cent. of the Group's revenue and Qtel had a combined 2.5 million mobile and fixed line customers as at 30 September 2012.
- **Indonesia:** the Group operates in Indonesia through Indosat, a fixed line and mobile telecommunications provider that the Group acquired in June 2008. Indosat provides a variety of mobile telecommunications services, mostly to prepaid customers, fixed line telephony, internet access and internet telephony services, operates its own international gateway in Indonesia, provides a fixed closed network and operates two satellites. As at 30 September 2012, the Group held a 65.0 per cent. effective stake in Indosat. For the nine month period ended 30 September 2012, Indosat contributed 25.8 per cent. of the Group's revenue and had a combined 55.7 million mobile and fixed line customers as at 30 September 2012.
- **Kuwait:** in March 2007, the Group acquired Wataniya, which provides mobile telecommunications services to both postpaid and prepaid customers in Kuwait (as well as mobile telecommunications services in Algeria, the Maldives, Saudi Arabia, Tunisia and Palestine). In October 2012, Qtel increased its stake in Wataniya to around 92.1 per cent. following a tender offer. Wataniya's Kuwaiti operations contributed 9.0 per cent. of the Group's revenue for the nine month period ended 30 September 2012 and had 2.0 million mobile customers as at 30 September 2012.
- **Iraq:** in August 2007, the Group acquired a 30.0 per cent. direct shareholding in Asiacell, an Iraqi mobile telecommunications provider, and increased its economic interest to 53.9 per cent. in June 2012. Asiacell provides these services to prepaid customers only and contributed 20.1 per cent. of the Group's revenue for the nine month period ended 30 September 2012 and had 9.8 million mobile customers as at 30 September 2012.

Together, operations in these four countries accounted for 73.5 per cent. of the Group's revenue for the nine months ended 30 September 2012. The Group believes it has geographically diverse mobile telecommunications businesses, with operations in relatively mature markets, such as Qatar and Kuwait, which generate significant cash flow for the Group, and in developing telecommunications markets with potential for high growth, such as Indonesia and Iraq, among others, which have shown significant growth in customer numbers. The Group also operates a number of other telecommunications businesses, which are complementary to its existing mobile telecommunications businesses, such as paging services, cable television services, worldwide interoperability for microwave access ("**WiMAX**") services, broadband internet services, fixed-line

telecommunications services and corporate managed services (NavLink). However, the Group's revenue is primarily derived from the operation of its mobile networks. In the nine month period ended 30 September 2012, the Group's wireless services, which are predominantly related to its mobile telecommunications businesses, contributed 88.7 per cent. to the Group's revenue.

The Group has developed its mobile telecommunications businesses by acquiring new licences and building its own network infrastructure, for example in Oman in 2005, and by acquiring existing operators with established network infrastructure, including in Iraq, Algeria, Kuwait, the Maldives, Saudi Arabia and Tunisia in 2007 and Indonesia in 2008. As at September 2012, the Group was one of the top two largest operators based on number of customers in each of the key markets of Qatar, Indonesia, Kuwait and Iraq. The Group regularly evaluates acquisitions of other mobile operators and licences in the MENA, the Asian Subcontinent and Asia Pacific regions to continue to expand its mobile telecommunications business.

The following illustration highlights Qtel's presence across the various markets that it operates in worldwide, as at the date of this Base Prospectus:



Corporate History

Qatari Origins

Prior to Qtel's incorporation in 1987, domestic telecommunication services in Qatar were provided by a partnership between Qatar and a U.K. telecommunications company. The Telecommunications Department of the Ministry of Transport and Communications of Qatar supervised all technical aspects of domestic and international civilian telecommunications in Qatar. Qtel was originally established as Qatar Public Telecommunications Corporation on 29 June 1987 pursuant to Law No. 13 of 1987, to provide domestic and international telecommunication services within Qatar. Qtel was granted sole responsibility for the provision of telecommunications services in Qatar. During this period, Qtel served as the telecommunications regulator for Qatar.

The Corporation was converted into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. on 25 November 1998, pursuant to Law No. 21 of 1998. Qtel's shares were listed on the Doha Securities Market in 1998, on the London Stock Exchange (via Global Depository Receipts) in 1999 and on the Abu Dhabi Securities Exchange in 2002.

The terms of the legislative concession of 1998 granting Qtel the right to be the exclusive provider of domestic and international telecommunications services in Qatar for a period of 15 years required Qtel to pay an annual royalty to the Government equivalent to 25 per cent. of Qtel's net profit attributable to the shareholders of Qtel. The Qatari Telecommunications Law provided for the repeal of this exclusive concession and provided that Qtel should continue paying the royalty until a competing and licensed service provider commenced offering its services to the public. Qtel discontinued payment of the royalties from 1 March 2009, when Vodafone Qatar switched on its network for two way communication.

Subsequently, in March 2010, the Minister of Economy and Finance of Qatar issued a Decree requiring Qtel to cease payment of the royalty to the Government with effect from 7 October

2007, which is the commencement date of the licence granted to Qtel under the Qatari Telecommunications Law. As at the date of this Base Prospectus, Qtel has satisfied all outstanding royalty payments to the Government. Under its operating licence granted by ictQATAR, Qtel is instead liable to pay to ictQATAR an annual industry fee of 12.5 per cent. on adjusted net profits generated from Qtel's operations in Qatar and an annual licence fee of 1.0 per cent. on net revenue from regulated activities under its telecommunications licence (which includes telephone services, call handling, messaging services, data services and wholesale fixed network services) generated from Qtel's operations in Qatar. For the purposes of calculating the industry fee, adjusted net profits are calculated as the difference between Qtel's net revenue and any allowable operating expenses that Qtel has incurred in the relevant calendar year that are directly related to its regulated activities under its telecommunications licence.

See *"Business Description of the Group – Principal Operations – Qatar – Regulation"* for a discussion of the industry fee that Qtel and other service providers are required to pay in respect of licensed activities in Qatar.

International Expansion

The growth of the Group's business since 2005 has been driven in significant part by a number of acquisitions in the MENA, Asian Subcontinent and Asia Pacific regions. A summary of the significant acquisitions by the Group during this period is set out below.

- **Oman:** In March 2005, the Group began its international expansion by acquiring a licence in Oman and establishing Nawras to offer mobile telecommunications services. In November 2010, Nawras completed its IPO, the largest in Oman since 2005, which was fully subscribed and raised around OMR182.3 million (U.S.\$474.2 million). Shares of Nawras began trading on the Muscat Securities Exchange in November 2011.
- **Kuwait:** In March 2007, the Group acquired a 51.0 per cent. direct shareholding in Wataniya, a Kuwaiti telecommunications company with subsidiaries or joint ventures in Algeria, Maldives, Saudi Arabia, Tunisia and Palestine. In October 2008, Qtel increased its direct shareholding to 52.5 per cent., and in October 2012, Qtel completed a tender offer to acquire all of the remaining issued shares of Wataniya. Following the completion of this tender offer, Qtel increased its direct shareholding in Wataniya to around 92.1 per cent., for a total consideration of KD519.1 million (U.S.\$1.8 billion).
- **Tunisia:** In March 2007, the Group acquired a 25.5 per cent. indirect shareholding in Tunisiana through its acquisition of Wataniya, which held a direct shareholding of 50.0 per cent. in Tunisiana. In January 2011, Wataniya increased its direct shareholding in Tunisiana to 75.0 per cent., as part of a consortium with a third party to acquire the remaining 50.0 per cent. shareholding in Tunisiana not owned by Wataniya for a total cash consideration of U.S.\$1.2 billion. Following completion of Qtel's tender offer in October 2012 increasing its stake in Wataniya to 92.1 per cent., Qtel's indirect shareholding in Tunisiana increased to 69.1 per cent.
- **Palestine:** In March 2007, the Group acquired a 29.1 per cent. indirect shareholding in Wataniya Palestine Mobile Telecommunications P.S.C. ("**Wataniya Palestine**") through its acquisition of Wataniya, which held a direct shareholding of 57.0 per cent. in Wataniya Palestine. In January 2011, Wataniya Palestine completed its IPO, the largest to take place in Palestine since 2000, raising a total of U.S.\$50.3m and reducing Wataniya's direct shareholding in Wataniya Palestine to 48.5%. The shares of Wataniya Palestine are listed on the Palestine Exchange. Following completion of Qtel's tender offer in October 2012 increasing its stake in Wataniya to 92.1 per cent., Qtel's indirect shareholding in Wataniya Palestine increased to 44.6 per cent.
- **Singapore:** In March 2007, the Group purchased a 25.0 per cent. direct shareholding in Asia Mobile Holdings, a joint venture with Singapore Technologies Telemedia. Asia Mobile Holdings held a 49.0 per cent. direct shareholding in StarHub, a telecommunications company in Singapore. In November 2011, Asia Mobile Holdings acquired a further 7.5 per cent. of StarHub, increasing its direct shareholding to 56.6 per cent. and the Group's indirect shareholding to 14.1 per cent.
- **Iraq:** In August 2007, the Group acquired a 30.0 per cent. direct shareholding in Asiacell, an Iraqi mobile telecommunications provider, having successfully bid for a 15-year national licence to build and operate a GSM network, or digital cellular communications system, in

Iraq. In June 2012, for an aggregate consideration of U.S.\$1.47 billion., Qtel increased its economic interest in Asiacell to 53.9 per cent., with an intended further increase in shareholding to take its direct shareholding to 60.0 per cent. subject to Iraqi government and regulatory authority approval, as, under Iraqi law, foreign entities can only own up to 55.0 per cent. of a local telecommunications company. Discussions in relation to this further increase in shareholding are ongoing between the Group and the relevant authorities in Iraq and a decision is pending.

- **Qatar:** In October 2007, the Group acquired a 51.0 per cent. direct shareholding in communications and media retail and logistics business Starlink Company W.L.L. ("**Starlink**"). In December 2010, the Group increased its direct shareholding in Starlink to 60.0 per cent. and in July 2012, the Group further increased its direct shareholding in Starlink to 72.5 per cent.
- **Indonesia:** In June 2008, the Group acquired a 40.8 per cent. direct shareholding in Indosat. In March 2009, the Group increased its direct shareholding in Indosat to 65.0 per cent. when it successfully completed a cash tender offer for 24.2 per cent. of Indosat's voting shares.
- **Other countries:** The Group launched wi-tribe in April 2007, delivering WiMAX wireless broadband services in Jordan. However, the Group is currently re-assessing the continuity of its operations in Jordan. In 2009 and 2010 the Group launched wi-tribe WiMAX services in Pakistan and the Philippines, respectively, through its operating companies wi-tribe Limited (in which the Group holds an 86.1 per cent. stake) and wi-tribe Asia Limited (which is wholly owned by the Group).

Capital Structure

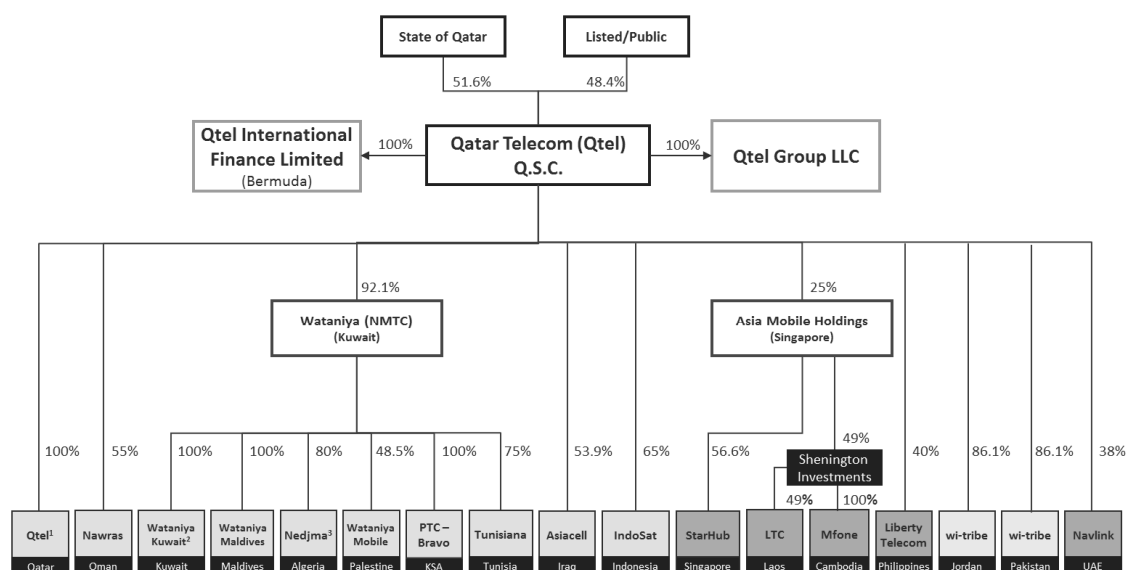
As at 30 September 2012, the share capital of Qtel consisted of 500,000,000 ordinary shares of QR10 each, of which 320,320,000 ordinary shares were in issue. In May 2012, the Group announced an increase in Qtel's share capital by way of offering 91,520,000 new shares to existing shareholders in the proportion of two shares for every five shares held at a rights price of QR65 per share. This rights issue was fully subscribed and raised around QR6.9 billion (U.S.\$1.9 billion).

Qatar is the Group's largest shareholder, holding, directly through Qatar Holding LLC (an entity established by the Qatar Investment Authority), 51.6 per cent. of the Group's outstanding voting shares as at the date of this Base Prospectus. In addition, Qatar holds what is known under Qtel's Articles of Association as the Golden Share in Qtel (the "**Golden Share**"), which, in accordance with the Articles of Association, gives such holder the exclusive right to, amongst other things, appoint and remove five of the 10 members of Qtel's board of directors (the "**Board**"), including the Chairman of the Board, together with the right to approve, veto and reverse certain decisions of the Group. Qatar's right to appoint and remove five of the 10 members of the Board applies for so long as its shareholding remains unchanged.

Any remaining directors not appointed by Qatar are appointed by the General Assembly of Qtel which, as at 30 September 2012, includes, but is not limited to, a variety of Government-related entities, including Qatar Holding LLC (which holds 51.6 per cent. of Qtel's outstanding voting shares), as well as the Qatar Pension Funds, Qatar National Bank S.A.Q. and a variety of Government-related entities, together owning an additional 17.5 per cent. of Qtel's outstanding voting shares, and the Abu Dhabi Investment Authority, which holds a 10.0 per cent. shareholding. Several members of the Board have held or currently hold positions in the Government. See "*Management*".

Operational Structure

The following diagram sets forth the Group's corporate structure as at the date of this Base Prospectus:



Source: The Qtel Group Subsidiaries and Affiliates as of October 2012

Notes: (1) Operations integrated within Qatar Telecom (Qtel) Q.S.C.; Also holds 72.5% of Starlink Qatar; (2) Operations integrated within NMTC; (3) 71% is held via NMTC and a 9% stake is held via Qatar Telecom (Qtel) Q.S.C.

Strategy

The Group's principal strategic objectives are: (i) to differentiate its customer experience in order to stand out from its competitors; (ii) to consolidate and strengthen its foundations; and (iii) to invest in new growth opportunities.

These objectives comprise the following components:

Differentiate customer experience

The Group continually seeks to develop innovative products and services that address the particular needs of the individual markets in which it operates. These initiatives are part of the Group's continuous effort to provide customers with technologically advanced and value-added telecommunications and information services, such as mobile and fixed broadband services, in a cost-effective manner.

Consolidate and strengthen foundations

The Group is focused on improving its operational performance by: (i) identifying and leveraging operational and financial synergies across the Group; (ii) engaging in product development and innovation activities; and (iii) utilising the experience of its management team to continue to build and manage a diversified and balanced portfolio of telecommunications businesses in emerging markets. Specifically, the Group is focused on increasing its wireless services revenues from the Group's operations primarily in Iraq, Indonesia, and other developing markets. Qtel expects to invest approximately more than QR1 billion (U.S.\$274.7 million) on capital expenditures in connection with the first phase of development of a National Broadband Network in Qatar, in line with the National ICT Plan 2015 (See "*Principal Operations – Qatar – Network Infrastructure*"). The Group is also focused on actively controlling its costs to improve its profit margins as part of an ongoing cost optimisation programme being implemented across all operations.

Invest in new growth opportunities

The Group is focused on expansion within the MENA, the Asian Subcontinent and the Asia Pacific regions. At present, the Group's business includes a combination of relatively mature markets (for example, Qatar and Kuwait) and emerging markets (for example Iraq and Indonesia). This combination of established and emerging markets is intended to allow the Group to take advantage of the historically stable returns on equity in lower-risk relatively established markets and the potential for greater returns on equity in higher risk emerging markets. In addition, the

Group believes that its strategic focus on three diverse geographic regions allows it to reduce the risk to it of economic downturns in any single region.

In Indonesia and Iraq, average market penetration levels are much lower than in more mature markets, such as Europe. For example, as at 30 September 2012, mobile penetration rates in Indonesia and Iraq were approximately 106 per cent. and 80 per cent., respectively. These relatively low levels of penetration, coupled with the high population growth rates in these markets, provide a potential revenue growth opportunity for the Group. In addition, in each of the four principal markets of Qatar, Indonesia, Kuwait and Iraq, it is within the top two providers of telecommunications services as measured by customer numbers. The Group's strategic plan aims to improve or stabilise (as the case may be) its position in these markets through improved network capacity, customer service and quality of service, and by providing more value added services. The Group believes that future growth in high penetration markets such as Qatar will come from the mobile, corporate managed services and broadband markets and will require enhanced products and services as well as high levels of quality and services. The Group has established forums for the executives and boards of directors of the Group's subsidiaries to meet and discuss best practices and strategic plans for expansion of their respective businesses.

Competitive Strengths

The Group believes that its business is characterised by the following key competitive strengths.

Government ownership

Qatar is the Group's largest shareholder, owning directly, through Qatar Holding LLC, 51.6 per cent. of the Group's outstanding voting shares. In addition, Qatar holds the Golden Share in Qtel (see "*Business Description of the Group – Capital Structure*").

Furthermore, several members of the Board have held or currently hold positions in the Government. Qatar's representatives on the Board also hold other key roles in Qatar's political, governing and corporate arenas. Qtel believes that it has the support of Qatar with regard to both the operation of its businesses and its international expansion. Qatar has a strong investment-grade credit rating of Aa2 from Moody's and AA from S&P.

Leading market position

The Group believes that it is among the leaders, in terms of revenue and number of customers, in the mobile telecommunications industry in the regions in which it operates. Because of its position as the sole Qatari telecommunications provider prior to March 2009, Qtel has been able to build a strong domestic market position and a consistent revenue base. These strengths, and the historic lack of competitors in Qatar, have allowed the Group to focus on and implement its international growth strategy. For example, the Group believes that Qtel's acquisition of Indosat in June 2008, the joint acquisition of an additional 25.0 per cent. of Tunisiana, via Wataniya, in January 2011 and the increase in Qtel's stakes in Asiacell in June 2012 and Wataniya in October 2012 were each supported by its strong capital and revenue base. The Group believes that its acquisitions between 2007 and 2012 have strengthened its overall competitive position and improved its growth prospects.

Diversified and Balanced International Portfolio

The Group has established a diversified and balanced international portfolio of telecommunications assets in 16 countries in the MENA, the Asian Subcontinent and the Asia Pacific regions, with a total customer base of approximately 89.2 million as at 30 September 2012. The Group believes that it has a geographically diverse mobile telecommunications business, with operations in relatively mature markets, such as Qatar, Kuwait and Oman, and in markets with a potential for high growth, such as Indonesia and Iraq. Moreover, the Group believes it has demonstrated an ability to grow telecommunications businesses in emerging markets, and that its diverse geographic base along with its leading market position in most of the markets in which it operates mitigates certain risks that would otherwise be associated with a focus on one or several markets.

Experienced international management team

The Group's management team of industry professionals has significant experience in the mobile and fixed-line telecommunications sectors and has a proven track record in growing its business, through both making and subsequently integrating acquisitions, and by implementing initiatives leading to organic growth. In addition, the Group continues to appoint key personnel to better

position its business for its next growth phase and has strengthened key management positions in line with its corporate structure. The Group believes that the composition of its management team puts it in a strong position to successfully implement its growth strategy, as well as to focus on improving its operating performance as the Group encounters opportunities to generate benefits from its significant investments in infrastructure to date.

Senior Qtel executives sit on the boards of directors of all of Qtel's direct subsidiaries, including some of those in which the Group maintains only a minority shareholding, such as Asia Mobile Holdings and NavLink, ensuring consistency and compliance with the Group's overall strategy.

Products and Services

The Group derives its revenue by providing telecommunications services to its customers. For the nine month period ended 30 September 2012, the Group earned QR25,020.1 million (U.S.\$6,873.6 million) in revenue, of which QR22,186.7 million (U.S.\$6,095.3 million) or 88.7 per cent. was from providing wireless services, which are predominantly related to providing mobile telecommunications services. The following table sets forth details of the Group's principal products and services offerings or licences it offers in the markets indicated. For a description of these products and services, see "Business Description of the Group – Products and Services – Wireless Businesses".

		Wireless Technologies		Wireline Businesses	
Market	Operator	Mobile Telecommunications	Mobile Broadband	Fixed Network	Other Services
Operations					
MENA					
Qatar	Qtel	GSM ⁽¹⁾ , WCDMA, Tetra, 4G/LTE ⁽⁸⁾	WiMAX ⁽²⁾ , HSDPA	Telephony, Fixed Internet Access Navlink ⁽⁵⁾	International Gateway TV Corporate Managed Services ⁽³⁾
Kuwait	Wataniya Navlink ⁽⁵⁾	GSM, WCDMA	HSDPA		
Iraq	Asiacell	GSM			
Oman	Nawras	GSM, WCDMA	HSDPA, WiMAX	Telephony, Fixed Internet Access	International Gateway
Algeria	Nedjma	GSM		Telephony, Fixed Internet Access	
Tunisia	Tunisiana	GSM		Telephony, Fixed Internet Access ⁽⁴⁾	
Jordan.....	wi-tribe		WiMAX		
Saudi Arabia	Bravo Navlink ⁽⁵⁾	iDEN			Corporate Managed Services ⁽³⁾
UAE	Navlink ⁽⁵⁾				Corporate Managed Services ⁽³⁾
Palestine.....	Wataniya	GSM			
Asia Pacific					
Indonesia	Indosat	GSM, WCDMA, CDMA	HSDPA	Telephony, Fixed Internet Access	International Gateway Satellites ⁽⁶⁾
Pakistan	wi-tribe		WiMAX		International Gateway
Maldives	Wataniya	GSM, WCDMA			
Singapore ⁽⁷⁾	StarHub	GSM, WCDMA	HSDPA	Fixed	International

Market	Operator	Wireless Technologies		Wireline Businesses	
		Mobile Telecommunications	Mobile Broadband	Fixed Network	Other Services
Laos ⁽⁷⁾	LTC	GSM		Internet Access Telephony, Fixed Internet Access	Gateway International Gateway ⁽⁷⁾
Cambodia ⁽⁷⁾	mFone	GSM	WiMAX		
Philippines	wi-tribe		WiMAX	Wireless Broadband	

(1) GSM includes GPRS and EDGE.

(2) Qtel uses WiMAX to deliver fixed services to areas in Qatar that are not yet connected by copper cables to its fixed network.

(3) Qtel's corporate managed services business is based in Qatar but is able to offer services throughout the MENA region.

(4) Tunisiana was granted a fixed internet access licence in 2012, although operations have not yet commenced.

(5) NavLink provides managed services, data hosting and other enterprise services.

(6) Indosat owns and operates two satellites for its own traffic and sells capacity and services to other users.

(7) Associate companies, held through Asia Mobile Holdings but not controlled by the Group.

(8) 4G/LTE services in Qatar currently in trialling phase.

Wireless Businesses

Mobile Telecommunications

The Group operates a number of different types of mobile technologies in the markets in which it operates:

- GSM: stands for Global System for Mobile Communications, a comprehensive digital network for the operation of all aspects of a cellular telephone system. GSM operates in the 900MHz and 1.8GHz bands. By having a harmonised spectrum across most of the globe, GSM's international roaming capability is designed to allow users to access the same services when travelling abroad as they can at home.
- GPRS: stands for General Packet Radio Service, a packet-based telecommunications service designed to send and receive data at rates from 56 Kbps to 114 Kbps that is designed to allow continuous connection to the internet for mobile phone and computer uses. GPRS is a specification for data transfer over GSM networks.
- EDGE: stands for Enhanced Data GSM Environment, a technology providing up to three times the data capacity of GPRS. EDGE uses a new modulation scheme designed to enable data speeds of up to 384 Kbps within the existing GSM spectrum. EDGE uses the same structure as today's GSM networks, which allows it to be overlaid directly onto an existing GSM network. For many existing GSM/GPRS networks, EDGE is a simple software-upgrade.
- CDMA: stands for Code Division Multiple Access, also known as 2G. CDMA is a multiple access scheme for digital radio, to send voice, data and signalling information (such as a dialled telephone number) between mobile telephones and cell sites. CDMA permits several radios to share the same frequencies and network capacity and does not directly limit the number of active radios. Since larger numbers of phones can be served by smaller numbers of cell-sites, CDMA-based standards have a significant economic advantage over older standards.
- WCDMA: stands for Wideband CDMA and is also known as spread spectrum, or 3G, WCDMA cellular systems utilise a single frequency band for all traffic, differentiating the individual transmissions by assigning them unique codes before transmission. WCDMA operates in the 2100 MHz band. WCDMA enables the continued support of voice, text and MMS services in addition to richer mobile multimedia services such as: music, TV, video, entertainment content and internet access.

- HSDPA: stands for High Speed Downlink Packet Access and is a 3G wireless technology enhancement enabling significant increases in data transmission speeds. It allows increased mobile data traffic and improves the customer experience through the availability of 3G broadband services and significantly shorter data transfer times. In particular, HSDPA focuses on improving the speed of the download between network and mobile.
- iDEN: stands for integrated digital enhanced network, otherwise known as “push-to-talk”. iDEN is an all-digital packet data network based on iDEN wireless technology created by Motorola, Inc. Customers to the Group’s iDEN services are able to utilise its “walkie-talkie” features, which allow customers to communicate instantly with other iDEN network customers. Currently the Group offers “push-to-talk” iDEN services only in Saudi Arabia.
- 4G/LTE: 4G is the fourth generation of mobile phone mobile communications standards. A 4G system provides mobile ultra-broadband internet access, for example to laptops with USB wireless modems, to smartphones, and to other mobile devices. LTE, or Long Term Evolution, refers to the ongoing process of improving wireless technology standards and increasing broadband speeds. Qtel is currently trialling 4G/LTE services in Qatar and expects to conclude this trial period in 2013.

Mobile Broadband

The Group offers mobile broadband services through HSDPA (discussed above) and WiMAX. WiMAX is a telecommunications technology that provides wireless transmission of data using a variety of transmission modes, from point-to-point links to portable internet access. The technology is based on the IEEE 802.16 standard (also called Broadband Wireless Access). WiMAX has been described as “a standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL”. The bandwidth range of WiMAX makes it suitable for the following potential applications, such as providing:

- a wireless alternative to cable and DSL for “last mile” broadband access;
- data and telecommunications services;
- voice over internet services;
- a source of internet connectivity as part of a business continuity plan; and
- portable connectivity.

Wireline Businesses

Fixed Network

The Group provides fixed line telecommunications services to both corporate and consumer customers primarily in Qatar, Indonesia and Oman and plans to launch fixed line service in Tunisia in 2013. The Group’s fixed line network provides fixed line telecommunications services such as fixed-line telephony, television services and fixed narrowband and broadband internet access.

Fixed line telephony. The Group’s fixed line telephony services are available in Qatar, Indonesia and Oman and provide connections from a customer’s premises to the Group’s fixed line telecommunications network. Throughout Qatar, Qtel provides digital fixed line telephony service, internet protocol telephony services and other related services such as caller ID, voicemail, conference calls, call restriction, information services and call forwarding.

Fixed Internet Access. In response to the changing dynamics in the fixed line telecommunications market, such as fixed-to-mobile substitution and migration from narrowband usage to broadband usage, the Group has focused its efforts in the fixed-line market primarily on building its direct access and broadband customer bases. The Group’s consumer fixed broadband was first launched in Qatar in 2002 and offers customers a number of products and services to enhance their access to data services. For example:

- Indosat offers high-speed point-to-point international and domestic digital leased line broadband and narrowband services, a high-performance packet-switching service and satellite transponder leasing and broadcast services; and
- Qtel currently offers television services in Qatar under its brand “Mozaic,” an internet protocol television offering, which delivers digital television services over a broadband connection. This allows Qtel to deliver television content that, instead of being delivered through traditional broadcast and cable formats, is received by the viewer through the technologies used for computer networks. For residential users in Qatar, Qtel’s television

services are provided in conjunction with Video on Demand and may be bundled with DSL internet access and digital telephony. Qtel also uses microwave solutions to provide television services.

Fixed line narrowband and broadband internet access are provided through several methods including leased lines and internet protocol based internet access. Qtel expects to invest approximately QR600.0 million (U.S.\$164.8 million) on capital expenditures in the first phase of replacing the existing copper network in Qatar with a modern fibre optic network in order to deliver ultra-fast internet access. The total eventual cost of the project is estimated at approximately QR1.0 billion (U.S.\$274.7 million). Existing Qtel customers are entitled to switch to the new fibre optic network free of charge.

Corporate Managed Services. Corporate customers in Indonesia, Oman and Qatar can connect their internal, local and international networks to the Group's fixed line network. In addition, corporate customers are offered fixed line internet access and the Group provides managed information technology network services including providing firewalls and security for networks and managing customers' routers or entire networks remotely.

In November 2006, in order to provide more advanced corporate managed services across the MENA region and to gain greater global reach, the Group entered into a joint venture with AT&T called NavLink. NavLink provides internet-related consulting services, system and network integration services, technical support and managed services of information technology infrastructure, enterprise hosting and networking. NavLink's managed services business provides: data backup; archiving and restoration; platform monitoring (including hardware monitoring, event and error log analysis); server administration and monitoring; security services (including early warning of cyber-attacks); and disaster recovery services.

Other Services International Gateway. The Group operates its own International Gateways primarily in Qatar, Iraq, Indonesia and Oman. International Gateways provide a point of interconnection between an international carrier and a national carrier. An International Gateway commonly serves not only as a physical gate between the international and the national networks, but also as a point-of-protocol conversion.

Satellite. Indosat leases transponder capacity on its Palapa-C2 and Palapa D satellites, which are in orbit over the Asia Pacific region, to broadcasters and telecommunications operators. Indonesia has a large television market in which a number of privately owned domestic broadcasters and international programmers compete with the state-owned broadcaster. Many of these domestic and international broadcasters lease capacity on Indosat's satellites. Indosat has entered into lease arrangements governing transponders on the Palapa D satellite that vary in duration but generally terminate within two to five years of the effective date of the lease. Indosat also leases transponder capacity on the Palapa-C2 satellite, with a maximum lease term of four years, to other telecommunications operators. The transponder leases may be terminated for breach of the lease agreement and, in addition, most of the leases provide that the lessee may terminate the lease with notice (generally six to 12 months) subject to the lessee paying a termination fee equal to a percentage of the lease payments that would have been due had the lease not been terminated.

Indosat also provides a variety of other supplementary satellite services, including occasional use for TV services, telecast services, telemetry, tracking and control services, private network services, Internet access and multimedia and video conferencing.

Telecommunications Operations

Customers and Tariffs

The Group's wireless services activities, which are predominantly related to providing mobile telecommunications services, accounted for 88.7 per cent. of its revenues for the nine month period ended 30 September 2012, and generate revenue primarily as a function of:

- the number of customers served, which in turn is a function of the Group's ability to acquire new customers and retain existing customers; and
- the revenue generated from each customer, which in turn is a function of the types and amount of services utilised by each customer and the rates that the Group charges for those services.

The Group offers mobile services to both corporate and individual customers. The services are sold through "postpaid" and "prepaid" plans. Postpaid customers subscribe for a minimum fixed

term, payable on a monthly basis, while prepaid customers pay in advance for a fixed amount of airtime and services. The tariff structure differs between postpaid and prepaid plans, with prepaid customers subject to higher tariffs to offset the absence of monthly subscription fees. ictQATAR sets out the framework for the determination of tariffs, prices and charges and acts as an adjudicator in disputes. Various provisions of Qtel's licence and the Qatari Telecommunications Law require Qtel to disclose and in some cases obtain prior approval for its tariffs.

Postpaid and prepaid customers generally have access to the same local and long-distance telecommunications services, including telephone calls and international direct long-distance dialling except with respect to international roaming where prepaid customers have access to fewer countries than do postpaid customers. In addition, the Group usually offers a variety of additional, value added services, functions and features, including SMS, mobile data and facsimile services, voicemail, caller identification, call holding, call waiting and call forwarding. In its more mature markets, the Group also offers more advanced services including voice SMS, MMS, ring-back tones, email (which includes BlackBerry), mobile television and access to music libraries.

In addition, the Group usually provides services such as detailed billing, direct debit payment, prepaid airtime recharge via SMS and international roaming to their customers. Although the Group's subsidiaries operate independently of one another, the Group exercises control over the quality and direction of the services provided by each subsidiary through oversight procedures conducted by the Group's management.

Network Infrastructure

The Group has developed integrated network infrastructure providing extensive coverage throughout the countries in which it operates. The Group's network infrastructure is fundamental to its ability to provide wireless and wireline services to its customers. The Group uses a variety of suppliers for its infrastructure throughout its operations.

Wireless Network

The Group offers and maintains mobile telecommunications services, whether telephony or internet, or both, over its wireless network in every country in which it operates. When a voice call or a data transmission is made on a mobile device, voice or data is sent from the device and transmitted by low powered radio signals to the nearest base station, which in turn is connected to the core network of the relevant Group operating company via the access transmission infrastructure. Each base station provides coverage over a given geographic area, often referred to as a cell. Cells can be as small as an individual building or as large as 20 miles across and each is equipped with its own radio transmitter and receiver antenna. This network of cells provides, within certain limitations, coverage over the service area. When a customer using a mobile device approaches the boundary of one cell, the mobile network senses that the signal is becoming weak and automatically hands over the call to the transmission unit in the next cell into which the device is moving.

The principal components of a mobile telecommunications network are:

- base transceiver stations: consisting of a transmitter and receiver and serving as a bridge between mobile users in one cell and the mobile switching centre via base station controllers and radio network controllers;
- base station controllers/radio network controller: devices that connect to and control the base station within each cell site;
- mobile switching centres: control the base station controllers and the routing of telephone calls;
- transmission lines: lines that link the mobile switching centres, base station controllers, base stations and fixed telecommunications networks;
- home location register: a database residing in a local wireless network that contains service profiles and checks the identity of a local customer;
- visitor location register: a network database that holds information about roaming wireless customers;
- various platforms for other mobile services: for example the SMSC (the SMS centre) and the MMSC (the MMS centre); and

- billing centre: a network database holding information about customer accounts and, for prepaid customers, a real time accounting of airtime and services used.

Although these components are utilised in all of the countries in which the Group operates a mobile telecommunications network, each of the Group's subsidiaries operates and maintains its own network infrastructure. Under the laws of most of the jurisdictions in which the Group operates, an owner of telecommunications infrastructure must also hold a licence to install, operate and provide services over the network, with the exception of Qatar, where Qatar National Broadband Network ("QNB"), a Government-owned company, holds a licence to roll out a passive national broadband network but does not hold a licence to provide services on the network (it can only lease or rent such network to licensed telecommunications providers), and Iraq, where a holder of a licence may acquire, lease or otherwise obtain from other authorised telecommunication service providers transmission, back-haul or long distance capabilities for routing and transport of telecommunications traffic originating or terminating on its network.

Wireline Network

The Group currently offers fixed line telecommunications services, to both individual and corporate customers in Qatar, Indonesia and Oman with the launch of similar services in Tunisia planned for 2013. When communication takes place over fixed-line networks, the traffic flows over a traditional wired infrastructure until the point it reaches the operator's access gateway where it connects to the core transmission infrastructure.

Marketing and distribution

Although the Group provides guidance to its subsidiaries as to best practices for developing their marketing and distribution activities, each subsidiary is responsible for marketing its services in the countries and regions in which it operates. As the number of products and services offered by the Group, particularly value-added and intelligent network services, continues to grow, the Group believes that increasing customer awareness of these new products and services is critical to its success. The Group seeks to increase consumer awareness of its new products and services, build customer loyalty, differentiate its services from those of its competitors, pick unique selling points, enhance customer experience and improve ease of use.

In addition, the Group seeks to supplement its marketing efforts with corporate and event sponsorships. For example, Qtel has established sponsorship agreements with the AFC Asian Cup 2011, the Barclays Premier League Trophy Tour, the Aspire4Sport Sports Expo and the Arab Games 2011.

The Group's sales structure utilises different types of distribution channels, adapted for different customer segments. In each market, the Group deploys the mix of channels that it believes is best suited for the demographics of the customers in that market. This typically includes a combination of direct account managers, owned shops, third party branded shops, third party unbranded shops, telephone and internet based sales. The Group typically controls its physical distribution network in any market in which it operates, but also seeks to distribute a significant portion of its products and services through third parties that have their own distribution networks.

Customer Relationship Management

The Group provides after sales support through three channels: call centres; its own and third party branded shops; and online through its subsidiaries' web portals and self-care applications. Each subsidiary of the Group maintains its own database relating to services used by each customer in order to facilitate and tailor its customer care.

In general, the Group believes customer care is an important mechanism for growing its revenue and increasing its customer base and all of its subsidiaries conduct detailed surveys relating to levels of customer satisfaction on at least an annual basis. In addition, the Group provides guidance and best practices to its subsidiaries to increase the efficiency of customer care channels and to reduce costs.

Competition

As at September 2012, the Group was one of the top two largest operators based on number of customers in the key markets of Qatar, Indonesia, Kuwait and Iraq. Telecommunications markets are competitive, with a number of providers in most countries in which the Group operates. The Group's principal competitors are other mobile network operators (and in some markets, integrated

operators) in each of its geographic markets, many of whom are, or were, the original incumbent operators in their respective markets. Moreover, the mobile telecommunications business, in particular, has become increasingly competitive during recent years. Competition is based principally on brand, network coverage and technical quality, price, the availability of data services and value added features and quality and responsiveness of customer service. The consumer broadband business is principally competitive based on speed of connection, data usage allowances and price of services. For a discussion of competition concerns for each of the Group's principal operations see "*Business Description of the Group – Principal Operations – Qatar – Competition*", "*Business Description of the Group – Principal Operations – Indonesia – Competition*", "*Business Description of the Group – Principal Operations – Kuwait – Competition*" and "*Business Description of the Group – Principal Operations – Iraq – Competition*", below.

Regulation

Regulatory activities by national authorities in the countries in which the Group operates have a significant impact on the telecommunications sector and on the Group's business. The competitive environment is also impacted by regulation in a number of other areas, including the allocation of radio spectrum, the provision of network access to third parties and network sharing. The Group anticipates that regulation will continue to have a major influence on both the Group and the telecommunications industry. For a discussion of the regulatory framework in each of the Group's principal operations see "*Business Description of the Group – Principal Operations – Qatar – Regulation*", "*Business Description of the Group – Principal Operations – Indonesia – Regulation*", "*Business Description of the Group – Principal Operations – Kuwait – Regulation*" and "*Business Description of the Group – Principal Operations – Iraq – Regulation*", below.

Licences

The Group is dependent on the licences that each operating company holds to provide their telecommunications services. Further detail on the issue and regulation of licences is in the "*Regulation*" descriptions for each of the principal operations below. The table below summarises the significant fixed and mobile licences held by the Group as at the date of this Base Prospectus. In addition, the Group has a number of other licences to provide other services, such as WiMAX, in the countries in which it provides such services.

Each of the Group's licences requires that the operating company complies with the terms of the licence and other relevant legislation in order to maintain the validity of the licences.

	Fixed Licence Expiry Date	Mobile Licence Expiry Date
Qatar	6 October 2032	6 October 2027
Kuwait	—	Indefinite
Iraq	—	29 August 2022
Oman	6 June 2034 ⁽¹⁾	18 February 2020
Algeria	—	10 January 2019
Tunisia	May 2027	23 May 2017
Jordan	— ⁽²⁾	—
Pakistan.....	15 August 2024 ⁽⁵⁾	31 October 2024
Indonesia.....	Unlimited ⁽³⁾	Indefinite ⁽⁴⁾
Maldives.....	—	31 January 2020
Palestine	—	10 September 2024

(1) Excludes 2300 MHz spectrum, the licence for which expires on 6 June 2024.

(2) The Group does not have licences to operate mobile or fixed line networks in Jordan but has been granted a licence to provide fixed WiMAX that expires 13 November 2021.

(3) The licence is of unlimited validity subject to compliance with laws and regulations and subject to an evaluation every year and a comprehensive evaluation every five years. The provision of fixed wireless access also depends on the validity of each radio frequency band licence.

(4) The licence is of indefinite validity subject to compliance with legislation and operating business and subject to a comprehensive evaluation every five years. The provision of mobile services also depends on the validity of each radio frequency band licence.

(5) The Group's operations in Pakistan have a licence to provide long distance international telecommunications services and also have a "wireless local loop" licence, expiring 31 October 2024.

Principal Operations

Although the Group provides mobile telecommunications services in many of the countries and regions in which it operates, the Group considers its principal operations to be its mobile telecommunications operations in Qatar, Indonesia, Kuwait and Iraq, principally on the basis of percentage of Group revenue generated by these operations.

Qatar

Overview

Qatar is an Arab state in the Middle East, which shares a land border as well as maritime borders with Saudi Arabia and maritime borders with the Kingdom of Bahrain, the United Arab Emirates and the Islamic Republic of Iran. According to the United Nations Statistics Division Demographic Yearbook 2010, Qatar has an area of approximately 11,586 square kilometres and, according to World Bank figures for 2011, it had an estimated population of 1.9 million. According to the Economist Intelligence Unit's Country Profile dated October 2012 for Qatar, Qatar's estimated GDP per capita for the year ended 31 December 2011 was U.S.\$81,570 and its consumer price inflation rate was 4.4 per cent. Qtel believes that Qatar's demographic profile forms a strong base for long-term demand for its consumer mobile services. As at 30 September 2012, market penetration in Qatar's mobile telecommunications market stood at 162 per cent.

Qtel's operations in Qatar are 100 per cent. owned and managed by Qtel. As at 30 September 2012, Qtel provided mobile telecommunications services in Qatar to 2.0 million mobile customers. As at 30 September 2012, Qtel was the largest cellular operator in Qatar by number of customers, with an estimated 71 per cent. market share. Until March 2009, Qtel was the only provider of mobile telecommunications services in Qatar. In the nine months ended 30 September 2012, the Group's operations in Qatar generated revenues of QR4,644.6 million (U.S.\$1,276.0 million), which amounted to 18.6 per cent. of the Group's consolidated revenues.

Customers and tariffs. The following table presents information about Qtel's mobile customers in Qatar as at 30 September 2011 and 2012 and 31 December 2009, 2010 and 2011.

	As at 31 December			As at 30 September	
	2009	2010	2011	2011	2012
Mobile customers: ⁽¹⁾					
Prepaid.....	1,836,258	1,791,381	1,726,587	1,758,648	1,752,057
Postpaid.....	282,292	261,159	270,456	266,066	291,245
Total.....	2,118,550	2,052,540	1,997,043	2,024,714	2,043,302

(1) "Mobile customers" includes total registered and active mobile customers at the end of the relevant period. Qtel defines an active customer as: (i) in the case of a postpaid customer, the customer has activated its SIM and has no outstanding balance on its account more than 120-145 days after the last statement date; or (ii) in the case of a prepaid customer, the customer has activated its SIM and has not failed to recharge expired credit within 90 days of its expiry.

Qtel, as the incumbent telecommunications provider in Qatar, has an established brand, a robust network infrastructure and an extensive distribution network. Vodafone Qatar launched its mobile telecommunications services in Qatar from March 2009. Qtel has continued to invest in an expansion of its capacity and coverage for mobile telecommunications customers to improve Qtel's existing network infrastructure, for example the introduction of 4G/LTE services, and invest in and improve its customer service. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flow – Capital Expenditures*".

The following table presents information about Qtel's ARPU in Qatar for the periods indicated.

	For the three months ended 31 December			For the three months ended 30 September	
	2009	2010	2011	2011	2012
	<i>(unaudited, figures in QR)</i>				
ARPU: ⁽¹⁾					
Postpaid.....	424.8	390.2	443.9	453.5	482.9
Prepaid.....	76.7	69.8	98.3	88.7	97.6
Blended ARPU	123.2	112.6	145.2	137.8	153.2

(1) For a discussion of the calculation of ARPU, see "Presentation of Financial and Other Information – Industry, Market and Customer Data – ARPU". ARPU data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

In the nine months ended 30 September 2012, Qtel's operations in Qatar generated revenues of QR4,644.6 million (U.S.\$1,276.0 million), which amounted to 18.6 per cent. of the Group's consolidated revenues. When mobile telecommunications services were first introduced in Qatar, customers were primarily wealthy individuals and business customers. As activation fees and handset prices declined, mobile services became increasingly affordable and popular with the broader middle and lower-income market. These customers typically have lower average monthly usage and higher price-sensitivity than the mobile customers of the early development of the Qatari market.

Qtel offers wireless services in Qatar on both a prepaid basis and a postpaid basis and through various tariff plans. As at 30 September 2012, 14.3 per cent. of Qtel's mobile customers in Qatar were postpaid customers and 85.7 per cent. were prepaid customers.

Qtel offers prepaid plans to individual customers in Qatar under the brand name "Hala". Customers accessing the Hala service pay an up-front fee for a set amount of services and receive a prepaid SIM card that has a fixed credit. This credit can be replenished by a variety of means, including at physical points of sale, such as news-stands, tobacco shops, kiosks, ATMs and over the Internet. Qtel offers a variety of branded consumer and business-oriented products and services to its prepaid customers in Qatar.

Qtel offers postpaid plans to individual customers in Qatar under the brand name "Shahry". The Shahry monthly service enables customers to choose from a variety of packages, most of which includes a number of local voice minutes, SMS, MMS and internet download options at rates lower than those available under Qtel's prepaid services.

In addition to the Hala and Shahry services, Qtel offers individual customers:

- "Mozaic" which combines television, internet and fixed line telephone services into a single monthly package;
- "BlackBerry"[®] which allows customers to access up to 10 email accounts using advanced BlackBerry[®] push email technology to allow the customers to be constantly connected to their email; and
- USB broadband which is primarily for allowing customers to access the internet via laptop computers from wherever there is Qtel coverage.

Qtel also offers a variety of services to its business customers in Qatar, including networking capabilities, Ethernet internet connectivity, packages combining data, voice and broadband services at a single monthly rate and various mobile financial services.

Network Infrastructure. As at 30 September 2012, Qtel's mobile telecommunications network in Qatar comprised 1,001 cell sites (the definition of which differs from company to company, although Qtel defines a cell site as the infrastructure and radio equipment associated with a cellular transmitting and receiving station, including land, building, tower, antennas and electrical equipment) and four switches. Qtel regularly monitors congestion on its network to assess whether the network has sufficient capacity to meet the volume of traffic. In addition, Qtel has entered into purchase orders with its main vendors to expand its mobile network in Qatar. Management at Qtel believes that the capacity of Qtel's network is adequate for the current customer base but plans to invest additional amounts in increasing the capacity and quality of

network coverage to meet anticipated growth in demand for mobile telecommunications services in Qatar. In early 2010, as part of this investment, Qtel completed the upgrade of its existing mobile broadband network and base stations, allowing it to provide high speed downlink packet access (HSDPA) for Qatar, allowing users to benefit from improved data download speeds and is currently rolling out "Fibre to the Home" (FTTH), with a stated aim of linking homes across Qatar with fibre connections and allowing them to enjoy ultra-high speed internet and other additional services such as high definition (HD) digital television. Qtel expects the roll out to be completed in 2013.

In 2009, Qtel entered into a strategic partnership with Vodafone Qatar for outdoor and indoor site sharing. This allows *inter alia* the sharing of mobile towers between the two companies and the sharing of other infrastructure.

In November 2009, Qtel signed a cable agreement with Tata Communications ("Tata") to allow Qtel to connect to hubs throughout the world via the Oman-to-India Tata Global Network Cable (the "TGN Cable"). The TGN Cable is used to route voice and data traffic from Oman to India, and onwards to the rest of the world. The cable offers large capacity for broadband and high-quality voice services, enabling Qtel to meet growing demand for international voice and data services. The TGN Cable became operational in May 2011. In April 2011, Gulf Bridge International ("GBI") and Qtel announced the landing in Qatar of the GBI cable system, a high capacity, fiber-optic communications cable providing connectivity between Qatar and all the countries of the Gulf region and allowing onward connectivity to Europe and Asia. The GBI cable is expected became operational in February 2012.

Qtel is currently trialling 4G services in Qatar. The trial period involves real life scenario tests (including full HD video streaming, online gaming, heavy content upload and download) within dedicated "4G Zones" located in Doha, testing devices and equipment that support the frequency bands with which Qtel's 4G LTE network will operate. Qtel expects to conclude the 4G trial period in 2013.

Marketing and Distribution. Qtel sells its mobile telecommunications services in Qatar through indirect channels (third party distributors and electronic channels), Qtel-owned shops and through a sales force focused on the corporate sector. In addition, Qtel also currently sells a limited number of handsets through its subsidiary Starlink. For the year ended 31 December 2011, Qtel's revenues were generated approximately equally from sales through indirect channels, Qtel-owned shops and through its own sales force. For its corporate customers all of its revenue is generally generated through direct sales methods.

Customers in Qatar can apply for prepaid services, postpaid services and can pay their bills from over 10 premium dealers and 4 distributors with approximately 80 exclusive shops throughout Qatar.

Qtel has agreements with four principal national distributors that together have over 4,000 sales outlets. These distributors sell mostly prepaid services to the middle- to lower-income market. In addition to this indirect channel, Qtel owns and operates over 16 shops, which also act as points of service and support its customers. Qtel's sales force focuses on selling telecommunications services to corporate customers and high-value users.

Competition. Until March 2009, Qtel was the sole telecommunications provider in Qatar and was not subject to competition from other service providers, except in certain limited circumstances, including where it permitted third parties to sell products or provide services that competed with products and services that it provided. However, in keeping with the trend throughout the MENA region toward liberalising telecommunications markets, ictQATAR issued a licence to provide mobile telecommunications services in Qatar to Vodafone Qatar. Vodafone Qatar began offering its mobile services in Qatar in March 2009 and obtained a licence to operate a fixed line service on 29 April 2010.

Regulation. The telecommunications regulatory authority in Qatar, ictQATAR, grants licences to service providers, implements policies designed to promote competition in the telecommunications sector in Qatar and imposes and monitors specific regulatory obligations for dominant operators. For a discussion of the financial impact of granting a licence to competitors, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Results of Operations – Royalties, Fees and Tax in Qatar*".

In 2008, ictQATAR granted Vodafone Qatar a licence to provide mobile telecommunications services in Qatar. Vodafone Qatar's licence is similar to Qtel's licence in most respects. The licence requires that Vodafone Qatar to provide performance bonds to guarantee its performance obligations under the licence. In April 2010 Vodafone Qatar was granted a fixed telecommunications licence.

In October 2011, following the MDDD Review, ictQATAR designated Qtel as a dominant service provider in all 14 telecommunications markets in Qatar. These telecommunications markets are split into: retail markets, which include publicly available fixed and mobile services, broadband services and retail leased lines; and wholesale markets, which include call origination and call termination, transit services, wholesale leased lines and access to and the use of international gateway facilities. From the MDDD Review, Vodafone Qatar was also designated as a dominant service provider in two wholesale telecommunications markets. Under the Qatari Telecommunications Law, the licences issued to Qtel and Vodafone Qatar, and other regulatory instruments, the designation as a dominant service provider triggers a range of legal obligations, such as the requirement to obtain pricing and tariff approval from ictQATAR and the prohibition of any activities constituting an abuse of dominant position, such as price discrimination, bundling and tying, cross-subsidisation and refusal to supply.

ictQATAR has, over the years, intervened to set the rates that Qtel and Vodafone Qatar should pay each other in respect of interconnection charges and for other types of access. A market review, or strategic sector review, on the licensing structure of the market, including proposals to issue new licences for the sale or resale of telecommunications services and the establishment of private networks, was concluded in 2011.

ictQATAR has opened public consultations regarding the provision of licences to construct passive telecommunications networks, consisting of the cables and towers capable of transmitting telecommunications services, to companies constructing national projects or public utilities, major regional projects or large-scale multi-purpose developments. The holders of such passive licences will not actually be allowed to provide telecommunications services, but may lease or rent such networks to licensed telecommunications providers. Such a change in licensing could raise the costs incurred by the Group to provide telecommunications services in Qatar or have an adverse effect on the quality of the network available to carry the Group's services. To date, ictQATAR has issued two such licences. It is currently unclear whether ictQATAR will issue any more licences for passive infrastructure.

In early 2012, Qtel signed an agreement with QNBN giving QNBN access to all of the ducts owned by Qtel. In June 2012, ictQATAR issued a decision stating that that mobile number portability services will be introduced in Qatar by the end of 2013.

Indonesia

Overview

Indonesia is made up of 17,504 islands in the Asia Pacific region. According to the United Nations Statistics Division Demographic Yearbook 2010, Indonesia has an area of approximately 1,811,569 square kilometres and, according to World Bank figures for 2011, it had an estimated total population of approximately 242 million, the fourth largest population in the world.

As at 30 September 2012, Qtel's subsidiary, Indosat, provided mobile telecommunications services in Indonesia to 55.5 million mobile customers. As at 30 September 2012, Indosat was the second largest cellular operator in Indonesia by number of customers, with an estimated 21 per cent. market share. According to Asosiasi Telekomunikasi Selular Indonesia, Indonesia's market is developing and, at 2011, the market penetration in its mobile telecommunications market was 110 per cent. compared to 100 per cent. at 2010, an increase of 10 per cent. As at 30 September 2012, Qtel held a 65.0 per cent. stake in Indosat. In the nine months ended 30 September 2012, Indosat generated revenues of QR6,444.7 million (U.S.\$1,770.5 million), which amounted to 25.8 per cent. of the Group's revenues.

Indosat has an established brand and a distribution network covering major cities in Java and Sumatra, as well as population centres in Kalimantan, Papua, Sulawesi and Bali. The Group believes that given the size of the population and the growth of the mobile telecommunications sector, network capacity and coverage in Indonesia will remain a key strategic differentiator and expects to invest in improving its Indonesian network capacity and coverage. See "*Management's*

Discussion and Analysis of Financial Condition and Results of Operations – Cash Flow – Capital Expenditures.”

Customers and Tariffs. The following table sets out Indosat’s mobile customer numbers as at 30 September 2011 and 2012 and 31 December 2009, 2010 and 2011.

	As at 31 December			As at 30 September	
	2009	2010	2011	2011	2012
Mobile customers: ⁽¹⁾					
Prepaid (in millions).....	31.2	43.2	50.5	50.3	54.8
Postpaid (in millions)	1.8	1.1	1.2	1.2	0.7
Total (in millions).....	33.0	44.3	51.7	51.5	55.5

(1) Mobile customers means total registered and active mobile customers at the end of the relevant period. Indosat defines an “active mobile customer” as a mobile customer: (i) who, in the case of a postpaid cellular customer, has no outstanding balance remaining due more than 120 days after the last statement date; or (ii) who, in the case of a prepaid customer, recharges the SIM card within 33 days immediately following the SIM card’s expiry date by adding certain minimum amounts to the SIM card. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Financial Condition and Results of Operations – Customer base*”.

When mobile services were first introduced in Indonesia, customers consisted primarily of wealthy individuals and business customers, including civil servants working for government entities. As activation fees and handset prices declined, mobile services became increasingly affordable and popular with the broader middle-income market. These customers typically have lower average monthly usage and higher price-sensitivity than the cellular customers during the early development of the Indonesian market, and this has been reflected in a decline in Indosat’s ARPU. ARPU for cellular customers for the third quarter of 2012 decreased by 14.3 per cent. compared to the third quarter of 2011. Pricing competition and pressure on ARPU have also increased as a result of significant competitive pressures in Indonesia. The following table presents selected information regarding Indosat’s ARPU for the periods indicated.

	For the three months ended 31 December			For the three months ended 30 September	
	2009	2010	2011	2011	2012
	<i>(unaudited, figures in QR)</i>				
ARPU: ⁽¹⁾					
Postpaid.....	56.7	91.2	75.8	88.1	73.4
Prepaid.....	14.0	12.0	9.3	11.5	10.0
Blended ARPU	16.1	13.4	10.2	12.6	10.8

(2) For a discussion of the calculation of ARPU, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Financial Condition and Results of Operations – ARPU*”. ARPU data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

Indosat offers postpaid plans to individual customers in Indonesia under the brand name “Matrix”. The Matrix service enables customers to choose from a variety of packages, most of which include a number of local voice minutes, SMS, MMS and internet download options.

Indosat offers prepaid plans under the brand names “Mentari” and “IM3”. Mentari and IM3 offer free national roaming, and the Group believes that Indosat’s Mentari and IM3 products have a high degree of brand awareness, thereby providing a competitive advantage when attempting to attract and retain customers in a competitive market. Indosat has differentiated its two prepaid brands based on market segments. The Mentari brand is marketed toward the more mature, premium segment of the prepaid market, whilst the IM3 brand is marketed toward the mass market, younger generation.

Network Infrastructure. As at 30 September 2012, Indosat’s mobile telecommunications network in Indonesia comprised 21,642 base transceiver stations and 74 mobile switching centres. Indosat regularly monitors congestion on its network to assess whether the network has sufficient capacity to meet the volume of traffic.

Its network is an integrated system employing switching equipment, cell site equipment and a transmission network of point-to-point microwave radio. Most of Indosat's cell sites and radio base stations are located in or on buildings or on vacant lots, which it owns, or for which leases have been individually negotiated by Indosat for terms typically varying from five to 20 years.

Indosat's cellular network currently operates using 10 MHz x 2 uplink and downlink of radio frequency bandwidth in the GSM 900 MHz spectrum, 20MHz x 2 uplink and downlink of frequency bandwidth in the DCS 1800 MHz spectrum and 10MHz x 2 uplink and downlink in the 3G 2100 MHz spectrum.

In November 2009, Indosat completed the Submarine Cable Jakabare project, a submarine cable system stretching more than 1,300 kilometres connecting Tanjung Pakis (West Java province), Pontianak (West Kalimantan province), Tanjung Bembang (Batam) and Changi (Singapore) and allowing it to add an additional 80 Gbps to its network and providing the foundation for advanced IP and non-IP technology in the future. On 31 August 2009, it launched Satellite Palapa D, which provides larger capacity and more power than previously available to Indosat and which provides satellite coverage for Indonesia, ASEAN countries, the Asia Pacific region, as well as the Middle East and Australia. In 2011, Indosat introduced Software Defined Radio (SDR) technology which will ultimately allow for flexible and seamless handling and provisioning of 2G, 3G and 4G/LTE standards.

In February 2012, Indosat entered into an agreement with PT Tower Bersama Infrastructure Tbk ("**Tower Bersama**") and its 91.0 per cent. owned subsidiary, PT Solusi Menara Indonesia, entities specialising in the management and maintenance of telecommunications towers, for the sale and leaseback of 2,500 towers, representing approximately 25 per cent. of Indosat's tower assets, for upfront consideration of U.S.\$406.2 million plus a potential maximum deferred payment of U.S.\$113 million over the ten-year life of the leaseback period. The upfront consideration included cash as well as newly issued Tower Bersama shares. The share component represented approximately 5 per cent. of Tower Bersama's share capital. Under the terms of the sale, Indosat will lease the towers for a minimum period of 10 years in line with market rates. This transaction allowed Indosat to free up capital from its tower portfolio and reduce the costs of managing and maintaining the assets.

Marketing and Distribution. Indosat sells its mobile telecommunications services in Indonesia through indirect channels (third party distributors), Indosat-owned shops and through a sales force focused on the corporate sector.

Indosat maintains a network of independent dealers who have their own distribution networks throughout Indonesia and sell prepaid services primarily to individuals. In addition Indosat operates integrated walk-in centres under the name "Galeri Indosat" and "Griya Indosat" which are operated by exclusive distributors. These walk-in centres provide customer service, sales and product information.

Competition. Indosat competes primarily with foreign and domestic providers of mobile telecommunications services, satellite, IDD services and ISPs. Indosat leases satellite capacity to provide these services in Indonesia; however, some of its competitors, including PT Telekomunikasi Indonesia Tbk ("**Telkom**"), a majority of which is owned by the government of Indonesia, own their own satellites for providing transmission links for their consumer mobile networks.

The mobile telecommunications business in Indonesia has become one of Qtel's most competitive markets during recent years. Competition is based principally on network coverage and technical quality, price, the availability of data services and special features and quality and responsiveness of customer service. Based on the Group's estimates made using available market data, the three major providers of wireless services in Indonesia, Telkomsel (which is majority-owned by Telkom), Indosat and XL Axiata (which is majority-owned by Axiata Group), provided over 90 per cent. of Indonesia's wireless telecommunications services as at 31 December 2011.

In addition to increased price competition for mobile telecommunications services, several telecommunications operators have been granted a licence to operate a 3G mobile telecommunications network. The Group believes competition for 3G services will be intense as telecommunications operators begin to deploy their networks in major population centres. Currently, there are seven telecommunications operators holding 3G licences: Telkomsel, PT Hutchinson Charoen Phokphand Telecommunication, PT Natrindo Telepon Seluler, XL Axiata, Sampoerna Telecom, Smartfren and Indosat, which offers 3G services nationwide and is focusing

more on wireless broadband services. In 2012, the Minister of Communications and Information Technology announced that it plans to conduct an open bidding process for further use of the remaining allocated frequency in 2.1 GHz spectrum for the provision of 3G services.

The Group believes barriers to entry in the Indonesian mobile and fixed line telecommunications services industry are currently comparatively high due to limited availability of frequency spectrum, a capital intensive operating environment, difficulties in acquiring sites for network expansion and the established market presence of the three incumbents. Nevertheless, the Group anticipates continued intense competition within the Indonesian telecommunications industry generally. In response to this, the Group intends to dedicate future capital expenditure to its mobile telecommunications services in an effort to increase network capacity and service quality and to provide various value-added services.

Regulation. Through the Ministry of Communication and Information Technology, the government of Indonesia regulates telecommunications network operations and the provision of telecommunications services. In addition, the Ministry of Communication and Information Technology regulates the radio frequency spectrum allocation for all telecommunications operators, which are required to be licensed by the Directorate General of Resources and Apparatus of Post and Information Technology for each service utilising radio frequency spectrum. The deregulation of the telecommunications sector is closely linked with Indonesia's national economic recovery programme. While the government of Indonesia has historically maintained a monopoly over telecommunications services in Indonesia, reforms, the majority of which came into effect in September 2000, have attempted to create a regulatory framework to promote competition and accelerate infrastructure investment in telecommunications facilities.

The reform of the regulatory environment for the Indonesian telecommunications sector have their foundation in Law No. 36 of 1999 regarding Telecommunications ("**Indonesian Telecommunications Law**"). The Indonesian Telecommunications Law became effective on 8 September 2000 and provides key guidelines for industry reforms, including industry liberalisation, facilitation of new entrants and enhanced competition.

In 1995, Telkom was granted a monopoly to provide local fixed-line telecommunications services until December 2010 and DLD services until December 2005. Indosat and Satelindo (later merged with Indosat) were granted a duopoly for exclusive provision of basic international telecommunications services until 2004. As a consequence of promulgating the Indonesian Telecommunications Law and various decrees thereunder, the government of Indonesia terminated the exclusive rights of Telkom and the duopoly previously given to Indosat and Satelindo. The government of Indonesia has adopted a duopoly policy with Telkom and Indosat competing as full network and service providers.

Under the Indonesian Telecommunications Law, each operator must provide guarantees to consumers in relation to certain matters including quality of service, usage and service fees and compensation. The law also allows customers who are injured or sustain damages to file claims against negligent providers. The government of Indonesia is formulating a decree which will establish penalties for telecommunication operators which do not meet the requisite quality requirements for their services and development commitments.

Based on its fixed telecommunications licence for basic telephony service, Indosat has an obligation to provide public telephone lines consisting of at least 3 per cent. of the total fixed telecommunications network that Indosat has built.

Each telecommunications operator is required to pay to the government of Indonesia a telecommunications operation fee, frequency fee and universal service contribution, as applicable. The telecommunications operation fee for each telecommunications operator is 0.5 per cent. of adjusted gross revenues per financial year, consisting of items such as revenues from leasing of networks, interconnection charges, activation of new customers, usage charges, roaming charges and SIM cards, and excluding revenues from leasing of premises, vehicle rental, consultation services, infrastructure construction and installation services, systems integration and development, sale and purchase or lease of non-telecommunication equipment, sale and purchase of telecommunication equipment and other business activities not related to telecommunications, provided that the services are not bundled with telecommunications services. The frequency fee for GSM 900, DCS 1800, 3G 2100, and FWA networks is calculated by applying a formula principally based on the bandwidth owned by the telecommunications operator.

In addition, each telecommunications operator is required to pay the government of Indonesia a “universal service obligations” fee of 1.25 per cent. of adjusted gross revenue per financial year.

In order to acquire frequency allocation for 3G services, the government of Indonesia conducted an open bidding process in which Indosat was awarded one 3G spectrum licence for 5 MHz of paired spectrum in 2006 for an up-front fee of Rp320.0 billion (approximately U.S.\$33.4 million). Indosat’s second carrier 3G spectrum licence of 5MHz paired spectrum, which was awarded in 2009, was also subject to the same up-front fee. In addition, the government of Indonesia also requires a performance bond as collateral for operators to fulfill each of the requirements stated in the licensing contract.

In August 2012, the Indonesian Minister of Communications and Information Technology issued a decree enabling Indosat to roll out a cellular network based on the 3rd Generation Partnership Project (3GPP) standard in the 900 MHz spectrum.

The international satellite industry is highly regulated. In addition to domestic licensing and regulation in Indonesia, both the placement and operation of satellites (including Indosat’s) are subject to registration with the Radio Communications Bureau of the International Telecommunications Union and the Intelsat consultation process. Based on the radio regulation, Indonesia’s satellite characteristics have been registered with the International Telecommunications Union

Kuwait

Overview

The State of Kuwait is a sovereign Arab emirate on the coast of the Arabian Gulf, bordered by Saudi Arabia to the south and Iraq to the north and west. According to the United Nations Statistics Division Demographic Yearbook 2010, Kuwait has an area of approximately 17,818 square kilometres and, according to World Bank figures for 2011, it had an estimated population of 2.8 million. Kuwait has experienced robust economic growth and has a GDP per capita of U.S.\$43,526. As at 30 September 2012 mobile penetration in Kuwait had reached approximately 142 per cent. While market penetration in Kuwait is high, Qtel believes that further growth is attainable in Kuwait through provision of enhanced services and, to some extent, through further increases in market penetration.

As at 30 September 2012, Wataniya was the second largest cellular operator in Kuwait by number of customers, with an estimated 38 per cent. market share and with an established brand and distribution network in all the major areas. As at 30 September 2012, Wataniya provided mobile telecommunications services in Kuwait to 2.01 million mobile customers compared to 1.96 million as at 31 December 2011. As at the date of this Base Prospectus, Qtel owns a 92.1 per cent. stake in Wataniya, which is listed on the Kuwait Stock Exchange. In order to increase its customer base in Kuwait, the Group plans to invest in an expansion of its capacity and enhanced indoor coverage for voice and data services. In the nine months ended 30 September 2012, the Group’s operations in Kuwait generated revenues of QR2,249.5 million (U.S.\$618.0 million), which amounted to 9.0 per cent. of the Group’s consolidated revenues.

Customers and Tariffs. The following table sets out Wataniya’s mobile customer numbers as at 30 September 2011 and 2012 and 31 December 2009, 2010 and 2011.

	As at 31 December			As at 30 September	
	2009	2010	2011	2011	2012
Mobile customers: ⁽¹⁾					
Prepaid.....	1,292,764	1,439,323	1,623,108	1,599,996	1,631,371
Postpaid.....	244,951	231,372	230,052	227,883	294,288
Total.....	1,537,715	1,670,695	1,853,160	1,827,879	1,925,659

(1) “Mobile customers” includes total registered mobile customers at the end of the relevant period. Wataniya defines a registered customer as one that has activated its SIM and in the case of a prepaid customer, has not failed to recharge its expired credit within 100 days of its expiry.

The dynamics of the mobile telecommunications market in Kuwait are broadly similar to those in Qatar. For a discussion of the competitive environment in Kuwait, see “*Business Description of the Group – Principal Operations – Kuwait – Competition*”. STC’s entry into the market as a third

operator under the brand “VIVA” in 2008 resulted in withdrawals of incoming call charges on fixed and international calls and had an initial negative impact on Wataniya’s ARPU. This remains the case as of 30 September 2012. The following table presents selected information regarding Wataniya’s ARPU in Kuwait for the periods indicated.

	For the three months ended 31 December			For the three months ended 30 September	
	2009	2010	2011	2011	2012
	<i>(unaudited, figures in QR)</i>				
ARPU: ⁽¹⁾					
Postpaid.....	359.0	387.8	369.5	384.4	303.2
Prepaid.....	95.1	91.0	83.6	87.3	68.5
Blended ARPU	137.1	131.6	118.8	124.4	102.9

(1) For a discussion of the calculation of ARPU, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Financial Condition and Results of Operations – ARPU”. ARPU data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

In Kuwait, Wataniya offers predominantly postpaid, prepaid and data packages to its customers. Wataniya’s postpaid services are offered under the brand names “Hala” (individual customers), “W-pro” (business customers) and “Wink” (youth segment), Wataniya’s prepaid services are offered under the brand names of “Xpress” and “Maxpress” and data services are offered under the brand name of “Wnet”.

With these services, customers are able to choose from a variety of packages, including bundle offers of local voice minutes, SMS, MMS and internet.

Network Infrastructure. As of 31 December 2011, the Group’s mobile telecommunications network in Kuwait comprised 1468 cell sites and 5 switches. Wataniya regularly monitors congestion on its network to assess whether the network has sufficient capacity to meet the volume of traffic.

Marketing and Distribution. Wataniya sells its mobile telecommunications services in Kuwait through indirect channels (third party distributors), Wataniya-owned shops and through a sales force focused on the corporate sector.

As at 30 September 2012, Wataniya has agreements with 9 exclusive national distributors that together have approximately 116 sales outlets. This authorised dealer network can provide network connections from points of sale. These distributors sell postpaid, prepaid and data services to the middle-to lower-income market. In addition, Wataniya operates 41 shops, which also act as points of service and support for its customers.

Competition. Historically, there were two mobile telecommunications operators in Kuwait: Zain and Wataniya. However, in December 2008, STC entered the market and began operating under the brand “VIVA”. In Kuwait operators compete for the business of relatively affluent consumers on the basis of network coverage and technical quality, price, the availability of data services and value-added features and quality and responsiveness of customer service. The entry of a third operator in the Kuwaiti market has had a negative impact on ARPU and profitability, especially given that incoming calls have been without charge since STC entered the market.

Regulation. The Ministry of Communications, represented by the Telecommunications Committee, is responsible for, among other things: (i) providing postal, wireless and telecommunications services in all their local and external aspects; (ii) regulating the use of telecommunications equipment, stations and infrastructure; (iii) monitoring and supervising the activities and operating procedures, specifications and equipment of the locally licensed mobile telecommunications companies as the regulatory authority over the mobile telecommunications sector; (iv) providing the necessary technical support to such telecommunications companies; and (v) allocating the relevant wavebands and distributing them equally among such mobile telecommunications companies. In addition, the Ministry of Communications has a de facto role in setting the guidelines for competition in the telecommunications industry in Kuwait. The Ministry of Communications also currently holds the monopoly in fixed line and international voice services. A third mobile licence was awarded by the Ministry of Communications in Kuwait in November 2007 and the third licensee commenced operations in December 2008.

Iraq

Overview

Iraq shares a border with Jordan, Iran, Kuwait, Saudi Arabia, Syria and Turkey. A small part of its territory also borders the Arabian Gulf. According to the United Nations Statistics Division Demographic Yearbook 2010, Iraq covers an area of approximately 437,367 square kilometres and, according to World Bank figures for 2011, it had an estimated population of 33.0 million inhabitants.

As the first company to achieve nationwide coverage in Iraq, Asiacell is the second largest cellular operator in Iraq by number of customers as at 30 September 2012, with an estimated 37 per cent. market share and having an established brand and distribution network covering all 18 governorates of Iraq. In the nine months ended 30 September 2012, the Group's operations in Iraq generated revenues of QR5,040.5 million (U.S.\$1,384.8 million), which amounted to 20.1 per cent. of the Group's consolidated revenues.

As at 30 September 2012, Qtel held a 53.9 per cent. effective economic stake in Asiacell. Asiacell provided mobile telecommunications services in Iraq to 9.8 million mobile customers as at 30 September 2012. In order to increase its customer base in Iraq, the Group plans to invest in an expansion of its capacity and coverage for mobile customers and to improve Asiacell's existing network infrastructure. Because of the conflict and unrest in Iraq, Iraq's network infrastructure has historically suffered from a lack of investment. Furthermore, until the Iraqi government's decision to award 15-year licences, one of which was awarded to Asiacell in August 2007, mobile telecommunications licences were awarded for periods of not greater than two years, which did not historically encourage operators to invest in infrastructure. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flow – Capital Expenditures"*.

In Iraq, like Indonesia, telecommunications services have achieved comparatively low levels of market penetration. While Iraq has a relatively low per capita GDP of U.S.\$4,093, according to the Economist Intelligence Unit's Country Profile dated August 2010, the Group believes that Iraq's attractive demographic profile and the significant economic growth opportunities available to Iraq, principally through hydrocarbons, forms a strong base for long-term demand growth for consumer mobile services.

Customers and Tariffs. The following table presents information about Asiacell's prepaid mobile customers in Iraq as at 30 September 2011 and 2012 and 31 December 2009, 2010 and 2011. Asiacell does not have a significant share of postpaid services (less than 1 per cent. of the total customer base).

	As at 31 December			As at 30 September	
	2009	2010	2011	2011	2012
Mobile customers: ⁽¹⁾					
Prepaid.....	7,351,154	8,130,498	8,978,656	8,700,412	9,793,106

(1) "Mobile customers" includes all registered mobile customers at the end of the relevant period. Asiacell defines a registered mobile customer as one that has any chargeable event in the previous 90 days.

The following table presents information about Asiacell's ARPU in Iraq for the periods indicated.

	For the three months ended 31 December			For the three months ended 30 September	
	2009	2010	2011	2011	2012
ARPU: ⁽¹⁾					
Prepaid.....	52.1	56.0	60.1	57.7	58.8

(unaudited, figures in QR)

(1) For a discussion of the calculation of ARPU, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Financial Condition and Results of Operations – ARPU"*. ARPU data has not been audited or otherwise reviewed by external auditors, consultants or independent experts.

Asiacell offers wireless services in Iraq on a postpaid and prepaid basis, with six product lines. Asiacell offers a variety of branded consumer and business-oriented prepaid services that allow

customers in Iraq to select the plan most suitable to their patterns of usage, with a particular emphasis on offering packages that are simpler and more basic than those offered by the Group in its more developed markets.

Customers accessing Asiacell's prepaid services in Iraq pay an up-front fee for a set amount of services and receive a prepaid SIM card that has a fixed credit that can be replenished at physical points of sale, such as news-stands, own shops, tobacco shops and kiosks. Asiacell offers a variety of branded consumer and business-oriented prepaid services that allow customers in Iraq to select the plan most suitable to their patterns of usage.

Network Infrastructure. As at 31 December 2011, Asiacell's mobile telecommunications network in Iraq comprised 4,474 cell sites and 13 switches. Asiacell regularly monitors congestion on its network to assess whether the network has sufficient capacity to meet the volume of traffic. The service network is backed up by four regional call centres, offering 24-hour service to customers in three languages – Arabic, Kurdish and English.

The Group plans to invest additional amounts in increasing the capacity and quality of network coverage to meet anticipated growth in demand for mobile telecommunications services, including the demand for 3G once the licences in Iraq have been awarded.

Marketing and Distribution. Asiacell sells its mobile telecommunications services in Iraq through indirect channels (third-party distributors) and stores managed by Asiacell. Asiacell operates 20 directly-owned branded retail outlets, and 9 franchised stores, which started in the first quarter of 2012 with the launch in Baghdad, with a further 10 franchised stores due to open by year end 2012 across Iraq.

Asiacell has agreements with a large number of regional distributors that together distribute to over 12,000 sales outlets.

Competition. There are three national mobile telecommunications operators in Iraq which hold nationwide licences: Asiacell, Zain and Korek Telecom. In general, competition in Iraq is characterised by an emphasis on pricing, tariffs, promotions, capacity, coverage and reliability.

Regulation. In March 2004, the Coalition Provisional Authority issued Order No. 65, which established the Communications and Media Commission (the "**CMC**") as an independent regulator of the Iraqi telecommunications sector. The CMC assumed this role from the Iraqi Ministry of Communications. The CMC's responsibilities include: (i) licensing and regulating telecommunications, broadcasting, information services and other media in Iraq; (ii) assisting with the development of telecommunications infrastructure in Iraq; (iii) establishing a framework for full and fair competition among all telecommunications providers; and (iv) encouraging the evolution of electronic media and communications networks for all Iraqi residents.

In August 2007, the CMC granted Asiacell a fifteen-year licence, which may be extended by an additional five years, to provide mobile telecommunication services throughout Iraq. This licence is the main source of Asiacell's regulatory obligations. The licence required that Asiacell pay a licence fee of U.S.\$1.25 billion to the CMC. Following rescheduling of repayment instalments by the CMC in 2008 and 2010, Asiacell paid the final instalment of the licence fee of U.S.\$375 million to the CMC in September 2011. In addition, the licence requires that Asiacell pays a regulatory fee of 18.0 per cent. of its gross revenues, reduced to 15.0 per cent. provided that the level of Iraqi participation in Asiacell remains at 51 per cent. or above. Following the Group's increase in its economic interest in Asiacell to 53.9 per cent. In June 2012, Asiacell submitted a letter to the CMC requesting guidance on the regulatory fee payable as a result of this increase. However, Asiacell has not yet received a response from the CMC and, as at the date of this Base Prospectus, Asiacell has continued to pay a regulatory fee of 15.0 per cent. of its gross revenues, with provision for the additional 3.0 per cent.

Asiacell has access to the frequency it requires to provide high quality telecommunications services. The CMC is responsible for the allocation and use of frequency. The CMC is expected to promote fixed line and 'wireless local loop' growth, however, the Group believes that mobile services will continue to dominate the telecommunications market.

As at the date of this Base Prospectus, the Iraqi government has not announced any specific timing or plans as to the issuance of 3G licences.

Employees

As at 30 September 2012, the Group employed approximately 16,799 employees. The following table sets out the number of the Group's employees as at 30 September 2012 and 31 December 2009, 2010 and 2011 in each of the principal markets in which it maintains operations:

	As at 31 December			As at 30 September
	2009	2010	2011	2012
Qatar	2,106	2,143	2,069	1,869
Indonesia.....	7,126	6,694	4,461	3,786
Kuwait.....	855	1,008	1,000	1,054
Iraq.....	2,350	2,170	2,170	3,095
Others	5,762	6,421	6,957	6,995
Group Total	18,199	18,436	16,657	16,799

In general, the Group's employees do not participate in any collective bargaining or similar agreements. However some of Indosat's employees belong to a union and benefit from a collective labour agreement. See *"Risk Factors – Risks Relating to the Telecommunications Industry – Industrial action or adverse labour relations could disrupt the Group's business operations and have an adverse effect on operating results"*.

The Group provides a variety of benefits to their employees that vary based on the country and region in which they operate. The Group does not maintain employee pension plans but does contribute to a statutory pension plan for Qatari employees.

Insurance

The Group's operations are subject to operational and geographic risks, including accidents, natural disasters, war, terrorism, fire, weather-related perils and other events beyond the Group's control. The Group maintains various types of insurance policies to protect against the financial impact arising from unexpected events when the amount of the potential loss would be significant enough to prevent normal business operations. The Group cannot, however, give any assurance that this insurance will be adequate to protect it from all expenses related to potential future claims for personal injury and property damage or that these levels of insurance will be available in the future at commercially reasonable prices. The Group does not fully insure against certain risks to the extent that such risks may not be fully insurable or related coverage is unavailable at what it considers to be appropriate price levels. In addition, insurance policies for certain types of operational risks that are typically available outside Iraq are not available in Iraq.

The Group has not historically experienced difficulty renewing its insurance policies and it believes that its insurance is reasonable and consistent with industry standards.

Intellectual Property

In general, each of the Group's operations has sought to legally protect its trademarks and copyrights for its name, logos and services in its own market. However, none has sought such protection outside its own market.

Litigation

The Group is from time to time a party to various legal actions arising in the ordinary course of its business. Other than the litigation described below, the Group does not believe that the resolution of these legal actions will, individually or in the aggregate, have a material adverse effect on its financial condition or results of operations, except as noted below.

Tax demand notices against Asiacell

In April 2012, the General Commission for Taxes in Iraq (the "GCT") issued a tax demand notice against Asiacell in respect of corporation tax payable during the period 2004 to 2007, amounting to approximately IQD 82.4 billion (U.S.\$65.6 million). In May 2012, the GCT also issued a tax demand notice against Asiacell in respect of employees' income tax payable during the period 2003 to 2007, amounting to approximately IQD 17.9 billion (U.S.\$14.3 million). In September 2012, the GCT issued a further tax demand notice against Asiacell for employees' income tax during the period

2009 to 2011, amounting to approximately IQD 18.7 billion (U.S.\$15.6 million). In accordance with tax regulations in Iraq, as at the date of this Base Prospectus, Asiacell has paid 25 per cent. of these amounts, plus interest. Asiacell raised an objection to the demand and as a result the employees' income tax payable for the years 2004, 2005 and 2007 was reduced by approximately IQD 8 billion (U.S.\$6.7 million) and is currently awaiting a decision from the GCT in relation to the amount payable in respect of 2006. Asiacell is currently in the process of appealing the remaining tax demand notices with the GCT and management believes that Asiacell has strong grounds to challenge these tax claims.

Breach of operating licence by Asiacell

Asiacell is under an obligation, contained in its licence issued by the CMC, to conduct an offer for sale of its shares via the Iraqi Stock Exchange with the requirement that it offers 25 per cent. of its shares to trading on the Iraqi Stock Exchange by 31 August 2011. The other two national mobile telecommunications operators in Iraq, Zain and Korek, are under a similar obligation contained in their respective operating licences. Asiacell, Zain and Korek have technically breached their licences as a result of not having listed by 31 August 2011. In June 2012, the Hearing Committee of the CMC has imposed a fine on Asiacell for the amount of IQD 10 million (approximately U.S.\$8,000) per day from 1 September 2011 until the shares are offered. As at the date of this Base Prospectus, Asiacell continues to pay this fine on a timely basis.

Proceedings against Indosat MegaMedia relating to misuse of radio frequencies

In early 2012, the Attorney General's Office in Jakarta (the "**AGO**") initiated corruption proceedings against Indosat MegaMedia ("**IM2**"), a 99 per cent. owned subsidiary of Indosat, for unlawful use of radio frequency band allocation that had been granted to Indosat. These proceedings were initiated pursuant to a report from the Indonesian Telecommunication Consumer NGO, which alleged that Indosat had avoided paying certain taxes by unlawfully allowing IM2 usage of its 3G spectrum in 2006.

In November 2012, the AGO indicated that losses for the State of Indonesia stood at IDR 1.3 trillion (approximately U.S.\$125 million) as a result of this alleged unlawful usage. Indosat and IM2 are contesting the allegations on the basis that IM2 was lawfully using Indosat's telecommunication network, rather than its radio frequency band, as alleged. The Indonesian telecommunication regulator has indicated support for Indosat's and IM2's position. As at the date of this Base Prospectus, the allegations are under investigation by the AGO. The AGO has established the former President Director of IM2 as a suspect on allegations of corruption. It is expected that the AGO will determine prior to the end of 2012 whether Indosat has a case to answer. Indosat is currently preparing a new statement of facts and arranging for new evidence to be heard, which the AGO has agreed to consider before determining whether to proceed to trial. Management anticipates that, based on this evidence, the AGO will reconsider its initial allegations of wrongdoing and report these findings to the State Audit Office. If the AGO determines that Indosat has a case to answer, the proceedings will be transferred to the District Court of Indonesia, where a judgement would be expected in approximately three to six months.

Proceedings against Wataniya relating to misuse of network infrastructure

In March 2010, the Ministry of Communications in Kuwait initiated unjust enrichment proceedings against Wataniya under Article 262 of the Kuwaiti Civil Code, alleging unlawful use of the Ministry's network infrastructure since 1999. The Ministry of Communications has alleged damages of KWD32.8 million (U.S.\$116.5 million). Management believes that Wataniya has strong grounds to challenge these allegations and the proceedings are currently pending before the Kuwaiti Court of Appeal, with the next hearing scheduled for 25 December 2012.

Environmental Matters

The Group is subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise and historical and artistic preservation. The Group could therefore be exposed to costs and liabilities, including liabilities associated with past activities.

The Group's operations are subject to obligations to obtain environmental permits, licences and/or authorisations, or to provide prior notification to the appropriate authorities. The Group's objective is to comply in all material respects with applicable environmental and health control laws, and all

related permit requirements. The Group believes that the principal environmental risks arising from its current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. The Group deploys various network infrastructure strategies in order to achieve radiation emission ranges lower than the minimum levels required by applicable regulations.

Commercial Property

The principal property, plant and equipment of the Group consists of its cable and switching stations located throughout the jurisdictions in which it operates, including its international exchanges, its satellite earth stations, its mobile switching centres, base stations, transmission equipment, cables and other technical, administrative and commercial property plant and equipment.

Qtel owns its head office at 100 West Bay, P.O. Box 217, Doha, Qatar.

The net book value of property, plant and equipment as at 30 September 2012 was QR31.2 billion (U.S.\$8.6 billion).

Information Technology

Each operating company of the Group maintains its own information technology ("IT") systems. The Group's IT systems are comparable to those typically used by other telecommunications service providers, and comprise operational support systems (which support the Group's telecommunications network and include processes such as maintaining network inventory, provisioning services, configuring network components and managing faults) and business support systems (which support processes related to the Group's customers, such as taking orders, processing bills, collecting payments and customer relationship management). The Group believes that its existing IT systems are adequate for the purposes of its existing business.

Each operating company of the Group maintains its own disaster recovery systems in order to ensure the recovery and continuation of its technology infrastructure following potential disruptive events, such as natural disaster or terrorism. Each operating company has procedures in place to either back up critical data on-site and automatically copy this backed-up data to off-site storage, or to back-up and replicate critical data directly to off-site storage.

The Group does not currently maintain a Group-wide global disaster recovery system, although the Group is currently undergoing a consultancy process with the intention of consolidating and modernising its disaster recovery procedures. The first phase of this consultancy process, the concept study, has been completed and reviewed by each operating company of the Group. The second phase of the consolidation and modernisation project, the consultancy study, is scheduled to be launched prior to the end of 2012. Notwithstanding the planned introduction of a Group-wide global disaster recovery system, the Group believes that its existing disaster recovery systems are adequate for the purposes of its existing business.

MANAGEMENT

Management of Qtel

Board of Directors

The Board is responsible for the Group's management and has unrestricted management powers, except to the extent provided by law, the Articles of Association or a resolution of the shareholders at a General Assembly of the shareholders.

The Board acts as the overall supervisory and monitoring body of the Group, approving all important new business proposals presented to it, including the acquisitions of any subsidiaries or affiliates, major capital projects and the acquisition or disposal of assets. In addition, the Board reviews the Group's development plans, monitors the performance of those development plans and reviews and approves the Group budget. The Board is also responsible for the timely and accurate disclosure of information to the Group's shareholders and to the Qatar Exchange, the Abu Dhabi Securities Exchange and the London Stock Exchange. In carrying out its activities, the Board represents the interests of the shareholders of Qtel and is accountable to the shareholders of Qtel.

Meetings of the Board must be held at least six times per year. Qtel's Articles of Association require that no more than three months may elapse between meetings.

The Board currently consists of 10 non-executive members, five of whom, including the Chairman of the Board, are appointed by, and cannot be removed except through, a decision of Qatar (the **"Golden Shareholder"**), which holds the Golden Share. Therefore, Qatar may exercise influence in relation to decisions pertaining to the Group. See *"Risk Factors – Risks Relating to the Group – Qatar exerts significant control over Qtel and its interests may conflict with those of Noteholders and/or Qtel itself"* and *"Management – Management of Qtel – Rights of the Golden Shareholder"*. The General Assembly elects the remaining five members of the Board by way of a secret ballot in which the Golden Shareholder has no voting rights.

Notwithstanding the foregoing, the Golden Shareholder's right to appoint and remove five of the 10 members of the Board applies for so long as the Golden Shareholder's shareholding remains unchanged. Should the Golden Shareholder cease to own 50.0 per cent. or more of Qtel's outstanding voting shares the Golden Shareholder would only be able to appoint a number of board members pro-rata to the number of shares it holds with the remaining members of the Board being elected by the General Assembly. Nonetheless, the Golden Shareholder shall always have the right to appoint not less than two members of the Board, one of them being the Chairman of the Board.

Members of the Board elected by the General Assembly are required to own at least 5,000 shares (the **"Collateral Shares"**), which are used as a collateral guarantee against the relevant board members' liability to Qtel, the other shareholders, debtors and third parties. The Collateral Shares are, immediately after the election of a member of the Board, deposited with an approved bank until the end of that member's term on the Board.

Resolutions of the Board are passed by the majority of those present and, in the event of a tie, the Chairman's vote prevails. See *"Risk Factors – Risks Relating to the Group – Qatar exerts significant control over Qtel and its interests may conflict with those of Noteholders and/or Qtel itself"*.

The General Assembly may, on the application of shareholders holding at least 25.0 per cent. of Qtel's share capital, remove by a majority vote, a member of the Board who has not been appointed by the Golden Shareholder. The Golden Shareholder is not permitted to vote and its shares are not counted in determining such a majority. The Golden Shareholder may replace or remove any member of the Board appointed by it.

Rights of the Golden Shareholder

The Golden Share is required at all times to remain the property of Qatar.

Whilst the Golden Shareholder has the same rights as any holder of an ordinary share, the Articles of Association provide that the Golden Share also grants the right to approve, veto and reverse any decision of Qtel (whether made by the General Assembly or by the members of the Board) relating to certain matters (the **"Entrenched Rights"**).

The Entrenched Rights comprise the following:

- a reduction in the share capital of Qtel;
- any amendment, waiver, deletion of any provision, or any addition to the Articles of Association of Qtel, which in the opinion of the Golden Shareholder, is prejudicial to the rights of the Golden Shareholder;
- any sale or disposal of any property which alone, or in conjunction with other incidental or related sales or disposals in the same transaction or connected transactions, constitutes a disposal of the whole or, in the opinion of the Golden Shareholder, a material part of the assets of Qtel;
- any matter which, in the opinion of the Golden Shareholder, may affect the national security of Qatar or the relations of Qatar with other countries; and
- the winding up, dissolution, sale, merger or restructuring of Qtel.

General Assembly

The General Assembly represents all of the shareholders of Qtel and all of its meetings are to be held in Doha, Qatar. Every shareholder has the right to attend the General Assembly, either in person or by way of proxy, and has a number of votes equivalent to the number of shares held. The Board is required to be represented in the General Assembly by not less than the quorum required for meetings of the Board, which must include the Chairman or the Deputy Chairman.

An Ordinary General Assembly must be convened at least once a year, within the first four months following the end of Qtel's financial year. The Board can call a meeting of the General Assembly or one can be called upon the request of the auditor of Qtel or at the request of a number of shareholders representing not less than 10.0 per cent. of the share capital of Qtel. A meeting of the Ordinary General Assembly is not valid unless it is attended by a number of shareholders representing at least 50.0 per cent. of Qtel's share capital. If a quorum is not achieved, another meeting may be called and is valid, irrespective of the number of attendees.

An Extraordinary General Assembly may be called by the Board or by a written request addressed to the Board from a number of shareholders holding not less than 25.0 per cent. of Qtel's share capital. A meeting of the Extraordinary General Assembly is not valid unless it is attended by a number of shareholders representing at least 75.0 per cent. of Qtel's share capital. If a quorum is not achieved, another meeting may be called and is valid if shareholders representing at least 50.0 per cent. of Qtel's share capital attend. If a quorum is not secured at this second meeting, a third meeting may be called which will be valid regardless of the number of attendees. Subject to the Entrenched Rights of the Golden Shareholder, an Extraordinary General Assembly may amend the Articles of Association.

Decisions at meetings of both an Ordinary General Assembly and an Extraordinary General Assembly require a vote in favour of the relevant resolution by two-thirds of the percentage of Qtel's share capital represented at the meeting.

Members of the Board

As at the date of this Base Prospectus, the members of the Board, their current positions in Qtel, age and the years of their appointment are as follows:

Name	Age	Position	Date of Appointment
H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani....	52	Chairman	July 2000
Mr. Ali Shareef Al Emadi.....	43	Deputy Chairman	March 1999
H.E. Mohammed Bin Isa Al Mohannadi.....	57	Member	March 1999
Mr. Hareb Masoud Al Darmaki	63	Member	March 1999
Mr. Hamed Saeed Al Badi.....	44	Member	February 2007
Mr. Hamed Abdullah Al Shamsi	43	Member	March 1999
Mr. Aziz Aluthman Fakhroo	35	Member	March 2011
Mr. Nasser Rashid Al Humaidi	57	Member	March 2011
Mr. Turki Mohammed Al Khater	54	Member	March 2011
Mr. Tami Hajar Ahmed Al Binali.....	35	Member	March 2011

Set forth below is a short biography of each of the members of the Board:

H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani

Sheikh Abdullah is the Chairman of Qtel. He joined the Board as Chairman in July 2000. He has held several high profile positions in Qatar, including the Chief of the Royal Court (Amiri Diwan) from 2000 to 2005. He is also Chairman of Wataniya and Chairman of the Board of Commissioners of Indosat and a Member of the Planning Council.

Ali Shareef Al Emadi

Mr. Al Emadi is the Deputy Chairman of Qtel. He joined the Board in March 1999 and has subsequently been re-elected to the position. He was appointed Deputy Chairman in 2011. He is the Group Chief Executive of Qatar National Bank S.A.Q. He is also a board member of Qtel Group LLC and Wataniya.

H.E. Mohammed Bin Isa Al Mohannadi

Mr. Al Mohannadi is a member of the Board and an appointee of the Government. He joined the Board in March 2003 and has subsequently been re-elected to the position. He is the Chief Financial Officer of the Royal Court (Amiri Diwan) and is a former State Minister. He is also a member of the board of directors of Qtel Group LLC and is active on the board of directors of a number of Qatari companies.

Hareb Masoud Al Darmaki

Mr. Al Darmaki is a member of the Board. He joined the Board in March 1999, and is also the Executive Director of Private Equity at Abu Dhabi Investment Authority, and a board member of several other financial institutions in the United Arab Emirates.

Hamed Saeed Al Badi

Mr. Al Badi is a member of the Board. He joined the Board in March 2007 and has subsequently been re-elected to the position. He is the Assistant Director of International Equities for Abu Dhabi Investment Authority.

Hamed Abdullah Al Shamsi

Mr. Al Shamsi is a member of the Board. He joined the Board in March 1999 and has subsequently been re-elected to the position. He is the Chief Executive Officer of International Capital Trading, United Arab Emirates. He is active on the board of directors of a number of companies in the United Arab Emirates.

Aziz Aluthman Fakhroo

Mr. Fakhroo is a member of the Board and an appointee of the Government of Qatar. He joined the Board in March 2011, and is also an Associate Director in the Mergers and Acquisitions Department of Qatar Holding LLC, the strategic and direct investments arm of the Qatar Investment Authority. He currently represents Qatar Holding on the boards of United Arab Shipping Company and Knowledge Universe.

Nasser Rashid Al Humaidi

Mr. Al Humaidi is a member of the Board and an appointee of the Government of Qatar. He joined the Board in March 2011, and is also Executive Director – Operations & Support of Qatar Development Bank. He has led various management and business technology roles in multi-industry sectors including utilities telecom, oil and gas, real estate, banking and contributed to national steering committees.

Turki Mohammed Al Khater

Mr. Al Khater is a member of the Board. He joined the Board in March 2011, and is also the President of General Retirement and Social Insurance Authority, Chairman of Dlala Holding, board member of Masraf Al Rayan and a board member of Al Ahli United Bank in Bahrain. He has previously held the position as the Managing Director and undersecretary of Health Ministry of Hamad Medical Corporation.

Tami Hajar Ahmed Al Binali

Mr. Al Binali is a member of the Board and an appointee of the Government. He joined the Board in March 2011, and is also Office Director of the Board Member Executive at the Qatar

Investment Authority, following earlier roles in the Supreme Council for Economic Affairs and Investment and Qatar Petroleum.

The business address of the members of the Board in that capacity is 100 West Bay, P.O. Box 217, Doha, Qatar.

Directors' Interests

As at the date of this Base Prospectus, the members of the Board own, in aggregate, approximately 65,511 ordinary shares, representing approximately 0.02 per cent. of the share capital of Qtel.

There are no interests of the members of the Board in transactions which are or were unusual in their nature or conditions or significant to the business of Qtel. Qtel is not aware of any potential conflicts of interest between the duties owed by the members of the Board and their private interests or other duties.

In five years preceding the date of this Base Prospectus, no member of the Board has been convicted of any fraudulent offence, served as a director, partner, founder or senior manager of any organisation at the time of any bankruptcy, receivership, any official public incrimination or sanctions by statutory or regulatory authorities, including designated professional bodies, or has been disqualified by a court from acting as a director of an issuer or from acting in the management or conduct of affairs of any issuer.

Compensation of the Board

For their services, members of the Board are entitled to remuneration, which is determined by a meeting of the General Assembly. For the year ended 31 December 2011, Qtel paid or accrued compensation (including salary, benefits and bonuses) to the Board of QR10.7 million (U.S.\$2.9 million).

Qtel Group LLC

In August 2007, the Board established Qtel International LLC, which, in January 2012, was renamed Qtel Group LLC ("**Qtel Group**"). Qtel Group is a wholly-owned subsidiary which has a separate management team and is responsible for providing the Group with corporate governance services, strategy and treasury services and a mechanism for communicating strategic and operational direction to the Group's subsidiaries and realising synergies between operations. Although the Group implements its international strategy on a centralised basis and manages its mobile telecommunications businesses through its controlling interests in subsidiaries, it allows local management to carry out the day-to-day management of its operations based on the policies Qtel Group establishes. Qtel Group's management team focuses primarily on the Group's international operations, international strategy and investment opportunities.

By virtue of the Group's ownership interests in its consolidated subsidiaries and, in some cases, of shareholders agreements, the Group is able to control the appointment of all or a portion of such subsidiaries' board of directors such that it has control over these subsidiaries. Qtel Group acts as an intermediary between these board members and the Group, reviewing and assisting in the preparation of the board agendas, budgets and annual plans of each subsidiary and advising the members of the subsidiary boards that are appointed by the Group. In addition to its governance role, Qtel Group also develops the Group's strategy and is responsible for delivering synergies across operations. The Group also has management services agreements in place with its operations in Qatar, Iraq, Algeria, Kuwait (including Tunisia support), Oman, the Maldives and Palestine. These management services agreements allow such subsidiaries to receive certain services from Qtel Group as well as allowing the subsidiary to benefit from framework agreements negotiated by Qtel Group with suppliers and providing marketing assistance and expertise, in exchange for which such subsidiaries are required to pay a management fee to the Qtel Group.

In addition, Qtel Group's business development team is responsible for researching and evaluating potential acquisition targets for the Group. Qtel Group's acquisition recommendations are then considered by the Investment Committee, a sub-committee of the Board. If such recommendations pass the Investment Committee, they are voted on by the entire Board. See "*Management – Committees of the Board – Investment Committee.*"

Executive Directors of Qtel Group

Qtel Group is responsible for providing the Group with management and corporate governance services, strategy and treasury services and provides a mechanism for communicating strategic and operational direction to the Group's subsidiaries and realising synergies between operations.

As at the date of this Base Prospectus, the current Executive Directors of Qtel Group, their current positions in Qtel Group, age and the years of their appointment are as follows:

Name	Age	Position	Date of Appointment
Dr. Nasser Marafih	51	Group Chief Executive Officer	November 2007
Mr. Ajay Bahri.....	48	Group Chief Financial Officer	November 2007
Mr. Ahmed Al-Derbesti.....	54	Group Chief Operating Officer	June 2012
Mr. Jeremy Sell.....	52	Group Chief Strategy Officer	November 2007
Mr. Michael Hancock	61	Group General Counsel	November 2007
Mr. Mohanna Nasser Al Nuaimi	38	Group Chief Human Resources Officer	December 2008
Mr. Paul Salmon	48	Group Chief Technical Officer	February 2010
Mr. Nicholas Dent	37	Group Chief New Business Officer	December 2011
Mr. Syed Sohail Qadri	52	Group Chief Transformation Officer	December 2011
Ms. Cynthia Gordon	50	Group Chief Commercial Officer	January 2012
Mr. Khalid Ibrahim Al Mahmoud.....	48	Group Chief Officer of SMB	January 2012

Set forth below is a short biography of each of the Executive Directors of Qtel Group:

Dr. Nasser Marafih

Dr. Marafih is the Group Chief Executive Officer of Qtel Group, having been appointed to this position in 2011. He was previously Chief Executive Officer of Qtel Qatar. He commenced his career at Qtel in 1992 as an Expert Advisor from the University of Qatar. In 1994, he was seconded to Qtel as Strategic Planning and Development Manager and in 1998 he became the Divisional Manager of Strategic Planning and Development. He holds a Bachelor of Science in Electrical Engineering, a Master of Science and a PhD in Communication, all from George Washington University, USA. He is also Deputy Chairman of Wataniya Palestine, a member of the board of commissioners of Indosat and a member of the board of directors of Asiacell, Asia Mobile Holdings, Wataniya, Nawras, Tunisiana, StarHub, Nedjma and Shenington Investments Pte Ltd.

Ajay Bahri

Mr. Bahri is the Group Chief Financial Officer of Qtel Group, having been appointed to this position in November 2007. He has a Bachelor's degree in Accountancy obtained in India and a Masters in Engineering from Massachusetts Institute of Technology, USA. He is also certified as a Chartered Management Accountant in the UK, a Chartered Accountant in India and a Certified Information Systems Auditor (non-practicing) in the USA. Prior to working for Qtel Group, he has worked for, amongst others, Ernst & Young, Etisalat and W.R. Grace and Co. He is also a member of the board of directors of Asiacell, Wataniya Telecom Maldives Pvt Limited and wi-tribe Limited.

Mr. Ahmed Al-Derbesti

Mr. Al-Derbesti is the Group Chief Operating Officer of Qtel Group, having been appointed to this position in June 2012. He was previously the Executive Director of International Services Qtel Qatar and has had a career with Qtel spanning 23 years. He graduated from George Washington University, USA, with a Bachelor and Master of Science in Electrical Engineering. He also has a Master of Science in management and Technology from the Massachusetts Institute of Technology, USA.

Jeremy Sell

Mr. Sell is the Group Chief Strategy Officer of Qtel Group, having been appointed to this position in November 2007. He holds a Master's degree from the University of Cambridge. Prior to working for Qtel Group, he worked as a Chartered Accountant with Arthur Andersen & Co. in London, was Director of Business Development at Virgin, CEO of Orange Sweden, Head of

Business Development for Orange and Director of Business Development for US West International. He is also a member of the Board of Directors of Asia Mobile Holdings.

Michael Hancock

Mr. Hancock is the Group General Counsel of Qtel Group, having been appointed to this position in November 2007. He holds a JD from the University of California, San Francisco and an MBA from INSEAD, France. Prior to working at Qtel he worked as General Counsel at ALCATEL CIT and was a Partner at Salans law firm in Paris. He is also a member of the board of directors of Tunisiana, Wataniya Palestine, Raywood Inc., and wi-tribe Limited.

Mohanna Nasser Al Nuaimi

Mr. Al Nuaimi is the Group Chief Human Resources Officer of Qtel Group, having been appointed to this position in December 2008. Prior to this, he held the position of Executive Director of Group Human Resources of Qtel. He holds a Bachelor's degree from Qatar University. Prior to joining Qtel, he worked for Qatar General Electricity & Water Corporation (Kahramaa) in Human Resources. He is also a member of the board of directors of Nedjma and Nawras.

Paul Salmon

Mr. Salmon is the Chief Technology Officer of Qtel Group, having been appointed to this position in February 2010. Prior to joining the Qtel Group, he was Head of Technology Development at Maxis Communications and has also held senior positions at Wataniya Mobile Telecommunications Co. and Telstra Australia. He holds an Honours Engineering Degree in Electronics Systems and Computing from Queensland University of Technology in Australia.

Nicholas Dent

Mr. Dent is the Group Chief New Businesses Officer of Qtel Group, having been appointed to this position in December 2011. He previously was the Chief Operating Officer for Qtel Qatar and has had a career with Qtel spanning almost 10 years. He holds a Master's degree in Economics from the University of Edinburgh. Prior to working for Qtel he worked for McKinsey & Company as a strategy consultant. He is also a member of the Board of Directors of Navlink.

Syed Sohail Qadri

Mr. Qadri is the Chief Transformation Officer of Qtel Group, having been appointed to this position in December 2011. Prior to joining Qtel Group he was Group Chief Executive Officer of wi-tribe Limited, the Group Strategy, Business Development, and Innovation Director of Telefonica S.A and one of the founding members of O2 plc and sat on the company's Executive Committee and Board.

Cynthia Gordon

Ms. Gordon is the Chief Commercial Officer of Qtel Group, having been appointed to this position in January 2012. Prior to joining Qtel Group, she was VP of Partnerships and Emerging Markets for Orange, France, Group CCO of MTS and CIS. She started her career at British Telecom, and has also worked in senior management as THUS in the UK, and AT&T's ACC International. She holds a B.A. in Business Studies from Brighton University in the UK.

Khalid Ibrahim Al Mahmoud

Mr. Al Mahmoud is the Group Chief Officer of Qtel Group's Small & Medium Business Unit, which oversees six Qtel companies – Wataniya Palestine, Bravo (Saudi Arabia), Wataniya Maldives, wi-tribe Jordan, wi-tribe Pakistan and wi-tribe Philippines, having been appointed to this position in January 2012. He serves as and is also a Board Director of the first five of the abovementioned companies. Prior to joining Qtel Group Mr. Al Mahmoud also served as Chief Operating Officer of Nawras and wi-tribe limited. Mr. Al Mahmoud commenced his career at Qtel in 1997 and held a number of positions, including Senior Manager – Product Management, Manager – Data Services (ISP) Business Unit, IT Divisional Manager, and Head of Information Systems – Business Applications.

Conflicts

There are no conflicts of interest between the duties of the Executive Directors listed above to Qtel Group and their private interests or other duties.

Corporate Governance

In 2008 the Board published a corporate governance manual in order to establish a uniform set of corporate governance rules and guidelines for the Group. At the same time, the Office of Corporate Governance was created within Qtel Group legal department. The Office of Corporate Governance is specifically tasked with managing the corporate governance relationships within the Group and providing day-to-day corporate governance services, guidance and advice to the Group. The Head of Corporate Governance is responsible for maintaining, among other things, the Group's corporate governance records and policies and establishing internal controls for governance and regulatory compliance.

Accordingly, governance manuals in respect of the Group have been adopted to take into account specific local laws and requirements and are broadly consistent with Qtel's corporate governance policies.

Committees of the Board

The Board has established three principal committees to review and decide on specific matters (together, the "**Committees**"). The Committees are given responsibility for specific areas of significance to the Group's corporate governance and assist the Board in discharging its responsibilities by advising and making recommendations to the Board. Each Committee comprises a chairman and is composed of at least three members of the Board and operates in accordance with a written charter approved by the members of the Board.

The Board has established the following primary Committees:

Executive Committee

The Executive Committee oversees the decision-making process of the Group and ensures that the objectives of Qtel are achieved in accordance with the authorities delegated to the Executive Committee by the Board. The Committee is also responsible for reviewing any matters requiring detailed review before presentation to the Board for final decision. The Executive Committee also oversees Qtel's strategy and method deployed for adopting financial and strategic investments. The membership of the Executive Committee comprises H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani (as Chairman), Mr. Ali Shareef Al Emadi (as Vice-Chairman), Mr. Aziz Aluthman Fakhroo, H.E. Mohammed Bin Isa Al Mohannadi and Mr. Hareb Masoud Al Darmaki.

Audit Committee

The Audit Committee oversees Qtel's relationships with its internal and external auditors. The committee recommended Qtel's auditors, KPMG Qatar, for the year 2011 and reviews the quarterly internal and annual audit reports, as well as compliance with legal and regulatory requirements, including the performance of Qtel's internal audit function. See "*Management – Internal Audit*". The membership of the Audit Committee comprises Mr. Turki Mohammed Al Khater (as Chairman), Mr. Nasser Rashid Al Humaidi (as Vice-Chairman), Mr. Tami Hajar Ahmed Al Binali and Mr. Hamed Saeed Al Badi.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board in executing its responsibilities with regard to nominating and appointing Board members to the Board and the boards of its subsidiaries, and determining the compensation of the Chairman, members of the Board, members of Executive Management and senior employees, and assesses the work of the Board. The membership of the Nomination and Remuneration Committee comprises H.E. Mohammed Bin Isa Al Mohannadi (as Chairman), Mr. Turki Mohammed Al Khater (as Vice-Chairman), Mr. Nasser Rashid Al Humaidi and Mr. Tami Hajar Ahmed Al Binali.

Internal Audit

Qtel also conducts an internal auditing process designed to ensure that adequate and effective internal control mechanisms are implemented through an independent evaluation of Qtel's systems and operations (the "**Internal Audit Office**"). The Internal Audit Office's principal responsibilities include presenting to the Audit Committee an annual audit plan and acting as liaison with the external auditor. Under its charter, the Audit Committee recommends to the Board a chief officer of the Internal Audit Office. The Chief Audit Officer, Mr. Mohammed Al Emadi, is responsible for the Internal Audit Office.

Related Party Transactions

In the ordinary course of business, the Group enters into transactions with related parties. Related parties include associated companies, including Government and Government-related entities, associates, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. Pricing policies and terms of transactions with related parties are approved by the Group's management. The Group also enters into commercial transactions with Government-related entities in the ordinary course of business, such as providing telecommunication services, placement of deposits and obtaining credit facilities.

OVERVIEW OF QATAR

Qatar

Unless indicated otherwise, information in this section has been derived from Government publications.

Country Profile

Qatar is an independent state in the Southern Arabian Gulf. Qatar shares a land border and maritime boundaries with Saudi Arabia and maritime boundaries with Bahrain, the UAE and Iran. Qatar covers an area of approximately 11,493 square kilometres. Doha is the capital city of Qatar, the seat of government and Qatar's cultural, commercial and financial centre. It includes the country's main seaport and international airport and has an advanced road system linking it with the international road network. According to the most recent Government census, Qatar's population was 1,699,435 in April 2010 indicating a 128.4 per cent. growth in population since the census prior to that was carried out in 2004. The Qatar Statistics Authority more recently estimated Qatar's population at 1,713,266 at the end of July 2012. A large portion of Qatar's population is comprised of non-Qatari nationals.

In terms of foreign relations and membership of international organisations, Qatar, together with Bahrain, Kuwait, Oman, Saudi Arabia and the UAE form the Gulf Cooperation Council. Furthermore, Qatar is a member of the Organisation of the Petroleum Exporting Countries ("OPEC"), the Gas Exporting Countries Forum (which was established in 2008 and has its headquarters in Doha) and the United Nations. It is also a member of numerous international and multilateral organisations, including the International Monetary Fund, the International Bank for Reconstruction and Development, the World Trade Organisation, the League of Arab States, The Organisation of the Islamic Conference, the Multinational Investment Guarantee Organisation and UNESCO.

Legal System

Over the last decade, Qatar's legal system has been significantly reformed by the enactment of various pieces of legislation intended to bring Qatari laws in line with international laws, standards and practices. Qatar's civil law sets forth civil law principles, including with respect to conflict of laws, contracts, rights and obligations, security, ownership and torts. Qatar's commercial law addresses commercial affairs and entities, competition, commercial obligations and contracts, and commercial paper. The commercial law also provides comprehensive provisions addressing bankruptcy matters, permitting creditors to file claims against any corporate entity, except for certain professional companies and other companies that are at least majority owned by the Government. Finally, the Commercial Companies Law addresses matters with respect to the ownership of shares, limited liability, capital contributions, payment of dividends, shareholder rights and obligations and general principles of corporate governance. The Commercial Companies Law also introduces the concept of a single member limited liability company, and is not dissimilar to the companies laws of more mature legal systems.

The Government has passed other significant legislation in recent years, including the Foreign Investment Law, the Central Bank Law, the Money Laundering Law, the Doha Securities Market Law (now the Qatar Exchange Law) and the Qatar Financial Centre Law (the "**QFC Law**"), as well as competition, intellectual property, labour, property and environmental laws.

Following the establishment of the QFC in 2005, the QFC Law established a legal and regulatory regime to govern the QFC that is generally parallel to and separate from Qatari laws and the Qatari legal system, except for Qatari criminal law. The QFC has established its own rules and regulations applicable to, among others, financial services companies, and which cover such topics as employment, companies, anti-money laundering, contracts and insolvency. In accordance with the rules and regulations of the QFC, the Qatar Financial Centre Regulatory Authority (the "**QFCRA**") regulates, authorises and supervises banking, financial and insurance related businesses carried on, in or from the QFC in accordance with legislative principles of an international standard, modelled closely on those used in London and other major financial centres. In addition, the Qatar International Court and Dispute Resolution Centre comprises the QFC Civil and Commercial Court, the Regulatory Tribunal and a Dispute Resolution Centre. The QFC Civil and Commercial Court deals with matters arising under the QFC Law, the QFC Regulatory Tribunal hears appeals against the decisions of the QFC Authority and other QFC institutions and the Dispute Resolution Centre offers international arbitration and mediation services.

Economic Overview

Qatar is one of the most prosperous countries in the world, with a nominal GDP per capita of QAR 364,536 (U.S.\$100,147) in 2011 based on Qatar's 2011 mid-year population figure of 1,732,638. Over the last several years, Qatar has been one of the fastest growing economies in the world. As of January 2011, Qatar's proven reserves of hydrocarbons amount to approximately 181.3 billion barrels of oil equivalent. These hydrocarbons consist of proven reserves of approximately 883.2 trillion cubic feet of natural gas, 2.3 billion barrels of crude oil and 22.1 billion barrels of condensate. Virtually all of Qatar's proven reserves of natural gas and condensate are located in the North Field, which is estimated by the U.S. Energy Information Administration to be the largest non-associated gas field in the world, representing approximately 15 per cent. of the world's natural gas reserves in 2009. Qatar has over 100 years of proven gas reserves at projected long-term production levels.

Qatar's carefully planned exploitation of its hydrocarbon reserves resulted in a nominal GDP compound annual growth rate ("**CAGR**") of 27.5 per cent. from 2004 to 2011. Qatar's economy achieved a new record in 2011 with a total nominal GDP of QAR 631,609 million (U.S.\$173,519 million) representing a growth of 36.3 per cent. in 2011 compared to 2010. The increase of Qatar's total nominal GDP in 2011 has been attributed to the expansion in the production levels of gas-related products, LNG and condensates, coupled with high hydrocarbon prices. The oil and gas sector contributed 51.7 per cent. and 57.7 per cent. of Qatar's total nominal GDP in 2010 and 2011, respectively. As Qatar reaches the end of its successful 20 year LNG development plan, liquefied natural gas ("**LNG**") production is expected to plateau at a high, but steady, level over the next few years. Future growth in gas production is expected to come from the Barzan Project, which is a gas project under development to provide domestic pipeline gas. Qatar has focused on diversifying its economy in recent years in an effort to reduce its historical dependence on oil and gas revenues. The construction and real estate sectors have recently made substantial contributions to Qatar's economic growth and significant investments have been made to increase economic returns from, in particular, petrochemicals, financial services, infrastructure development and tourism. As a result, nominal GDP for the non-oil and gas sector grew at a CAGR of 25.7 per cent. between 2004 and 2011, reflecting a slightly lower annual growth rate than the oil and gas sector for the same period. Nominal GDP for the non-oil and gas sector reached QAR 267,150 million (U.S.\$73,393 million), or 42.3 per cent. of Qatar's total nominal GDP, in 2011.

In recent years, Qatar has focused on developing and exploiting its natural gas resources beyond the LNG industry by implementing a downstream strategy driven by opportunities to generate additional revenue from its existing oil and gas production. Qatar Petroleum ("**QP**") has developed pipeline gas projects both for regional export markets and for domestic petrochemicals and industrial consumption. In addition, QP is the majority shareholder in a number of industrial companies located primarily at Ras Laffan City and Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value added products, such as petrochemicals, fertiliser, steel, iron and metal coating, both for domestic consumption and for export. Qatar has also invested in exploiting various gas-to-liquid ("**GTL**") technologies and has two joint venture projects currently in operation to generate GTL products like distillates.

Throughout a period characterised by rapid growth and development, Qatar has demonstrated fiscal responsibility by managing its budget and public finances prudently. Qatar has historically had low levels of indebtedness but there was an increase in indebtedness starting in 2009 and continuing through 2012 mainly due to the support given by Qatar to the commercial banking sector during the global financial crisis in 2009 and the issuance of bonds and treasury bills by the Qatar Central Bank in 2010, 2011 and 2012 to absorb excess liquidity among domestic commercial banks and to develop a yield curve for riyal-denominated domestic bonds. Qatar's total direct external indebtedness was QAR 87,873 million (U.S.\$24,141 million) as of 31 March 2012. Most of Qatar's significant energy projects are funded on a stand-alone, limited recourse basis.

The significant revenues generated by the oil and gas sector (which contributed 85.14 per cent. and 81.16 per cent. of Qatar's annual revenues in the fiscal years ended 31 March 2011 and 31 March 2012, respectively) have provided sustained liquidity while ensuring sizeable surpluses in the fiscal and external accounts. Qatar has had budget surpluses since the fiscal year ended 31 March 2001, with an estimated budgeted surplus of QAR 44,514 million (U.S.\$12,229 million) or 21.8 per cent. of total Government revenues for the fiscal year ended 31 March 2012. In addition, Qatar's trade activity is strong, with total goods exported (including re-exports) in 2010 valued at QAR 262,277 million (U.S.\$72,054 million) and total imports in 2010 valued at QAR 76,210 million

(U.S.\$20,937 million), together constituting 73.0 per cent. of total nominal GDP. Between 2007 and 2010, the value of Qatar's exports increased by 65.7 per cent., while the value of imports decreased by 0.8 per cent. The external sector has been characterised by a large current account surplus each year since 2000 and robust growth in imports has been counterbalanced by a significant rise in hydrocarbon exports.

In recent years, Qatar has used its budget surpluses to diversify the economy through increased spending on infrastructure, social programmes, healthcare and education, which have modernised Qatar's economy. Qatar's economic growth has also enabled it to diversify its economy through domestic and international investment into different classes of assets. This diversification will be important to Qatar's future Government revenues as the growth rate of the State's revenue from the oil and gas sector is expected to stabilise given the completion of several of the State's long-term hydrocarbon investment programmes. In 2005, the QIA was established to propose and implement investments for Qatar's growing financial reserves, both domestically and abroad. Through the QIA, Qatar has invested in private equity, the banking sector, real estate, publicly traded securities and alternative assets. With its growing portfolio of international and domestic long-term strategic investments, the QIA has continued to develop Qatar's economic diversification strategy while contributing to the nation's significant economic expansion.

The QIA has provided financial support to Qatar's financial sector as a response to the global economic downturn and as a preventative measure to preserve the general stability in Qatar's banking sector. In early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20 per cent. in the domestic banks listed on the QE. In line with the plan, from 2009 through to 2011, the QIA acquired equity positions ranging from 5 per cent. to 20 per cent. in various domestic banks, including Qtel, Commercial Bank of Qatar, Qatar International Islamic Bank, Ahli Bank and Doha Bank. The total equity injections in the domestic banks currently amounts to QAR 11.2 billion (U.S.\$3.1 billion). The Government is expected to give these banks an option to buy back their shares over the next five years.

In addition to the equity purchases, the QIA also assisted the banking sector by purchasing certain portions of their investment and real estate portfolios. On 22 March 2009, the QIA purchased the investment portfolios of seven of the nine domestic banks listed on the QE at a total purchase price of approximately QAR 6,500 million (U.S.\$1,786 million) paid through a combination of cash and domestic Government bonds. This purchase price was equal to the value of such investment portfolios as registered in the records of each bank as of 28 February 2009. In an effort to further boost liquidity and encourage lending, in early June 2009, the QIA made a second round of investments and bought the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QAR 15,000 million (U.S.\$4,121 million). The total support to the banking sector, which includes purchases of real estate and investment portfolio in domestic banks as well as the equity injections, has been QAR 32,700 million (U.S.\$8,984 million).

Annual Indicators

The following table sets forth certain economic data for Qatar for the years indicated (Source: Qatar Central Bank).

	2006	2007	2008	2009	2010	2011¹
GDP (QAR million)	206,644	259,411	419,583	355,986	463,489	630,883
Growth Rate (%)	33.7	25.5	44.6	-15.2	30.2	36.1
Oil Sector Share (%)	57.3	56.5	54.9	44.8	51.7	57.8
Growth Rate (%)	28.6	23.7	53.5	-30.8	50.3	52.0
Non-Oil Sector Share (%)	42.7	43.5	45.1	55.2	48.3	42.2
Growth Rate (%)	41.1	28.0	35.1	3.8	13.9	19.1
GDP Per Capita (QAR Thousand)	198.4	211.6	289.1	217.2	270.3	364.1
CPI-Inflation (%) ²	11.84	13.76	15.10	-4.86	-2.46	1.93

1 Preliminary estimates set out in Qatar Central Bank's Quarterly Statistical Bulletin, June 2012.

2 On yearly basis.

BOOK ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or DTC (together, the **"Clearing Systems"**) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, Qtel nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**"Participants"**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book entry changes in the Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**"Indirect Participants"**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **"Rules"**), DTC makes book entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book entry settlement system (**"DTC Notes"**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**"Owners"**) have accounts with respect to the DTC Notes similarly are required to make book entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**"Beneficial Owner"**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit the Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – United States*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer(s). Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and

Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be affected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*", cross market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Paying Agents and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. As there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Paying Agents and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Euroclear and Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, Qtel, the Agents or any Dealer(s) will be responsible for any performance by DTC, Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

Bermuda

As a Bermuda exempted company and under current Bermuda law, the Issuer is not subject to tax on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty applicable to the Issuer in Bermuda. Profits can be accumulated and it is not obligatory for a company to pay dividends.

Furthermore, the Issuer has received an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 (as amended), that in the event that Bermuda enacts any legislation imposing tax computed on profits, income, any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, the Issuer and any of its operations or its shares, debentures or other obligations shall be exempt from the imposition of such tax until 31 March 2035, **provided that** such exemption shall not prevent the application of any tax (i) to such persons who are ordinarily resident in Bermuda; or (ii) payable in accordance with the provisions of the Land Tax Act, 1967 or otherwise payable in relation to land in Bermuda leased to the Issuer.

The Issuer is required to pay an annual government fee (the “**AGF**”), which is determined on a sliding scale by reference to a company’s authorised share capital and share premium account, with the minimum fee for exempted companies being \$1,995.00 in Bermuda dollars and the maximum being \$31,120.00 in Bermuda dollars (the Bermuda dollar is treated at par with the U.S. dollar). The AGF is payable each year on or before the end of January in the year to which the AGF is applicable and is based on the authorised share capital and share premium account as they stood at 31 August in the preceding year.

In Bermuda, stamp duty is not chargeable in respect of the incorporation, registration, licensing of an exempted company or, subject to certain minor exceptions, on their transactions. Accordingly no stamp duty will be payable on the issue of any Notes by the Issuer.

Bermuda has currently signed tax information exchange agreements with 34 different countries and territories including Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, South Africa, South Korea, the United Kingdom and the United States. The agreements provide that the competent authorities of the participating countries shall provide assistance through the exchange of information that is relevant to the administration or enforcement of the domestic laws of the participating countries concerning taxes covered by the agreements. Such information shall include information that is relevant to the determination, assessment and collection of such taxes, the recovery and enforcement of tax claims or the investigation or prosecution of tax matters. Information shall be exchanged in accordance with the provisions of the agreements and shall be treated as confidential in the manner provided therein. Bermuda may agree to sign similar tax information exchange agreements with other countries in the future.

EU Savings Directive

The European Union has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to (or for the benefit of) an individual or to certain other persons in another Member State, except that Austria and Luxembourg are instead required to operate a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

Qatar

The following is a summary of the principal Qatari tax consequences of ownership of the Notes by beneficial owners who or which are not incorporated in or residents of Qatar for Qatari tax purposes and do not conduct business activities in Qatar (“**Non-Qatari Holders**”). The summary below of the taxation in Qatar is based upon: (a) the Income Tax Law No. 21 of 2009 (“**Income Tax Law**”); (b) the Executive Regulations to the Income Tax Law (“**Executive Regulations**” or

“**Regulations**”); and (c) the practice that has been adopted and is applied by the Income Tax Department of the Ministry of Economy and Finance, each as in effect on the date of this Base Prospectus. This general description is subject to any subsequent change in the Income Tax Law, Regulations and practice that may come into effect after such date.

Under the Income Tax Law, tax is levied on a tax payer’s income arising from activities within Qatar, including tax on profits realised on any contract implemented in Qatar. In particular, Article 11(2) of the Income Tax Law states:

“Subject to the provisions of tax agreements, payments made to non-residents with respect to activities not connected with a permanent establishment in the State shall be subject to a final withholding tax, as follows:

- (A) 5% (five percent) of the gross amount of royalties and technical fees;
- (B) 7% (seven percent) of the gross amount of interest, commissions, brokerage fees, director’s fees, attendance fees and any other payments for services carried out wholly or partly in the State.”

(Unofficial translation.)

Further, Paragraph 2 of Article 21(4) of the Executive Regulations provides an exemption from withholding tax on the payment of “interest on bonds and securities issued by the State and public authorities, establishments and corporations wholly or partly owned by the State

In accordance with the Income Tax Law and the Regulations, the receipt of interest and returns on public treasury bonds, development bonds and public corporation bonds, including profits from the disposal of such bonds, is exempt from tax. Thus the sale of the Notes by the Noteholders should not be taxable in Qatar.

United States

U.S. Federal Income Taxation

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE, PROSPECTIVE INVESTORS ARE HEREBY INFORMED THAT ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY TAXPAYER FOR PURPOSES OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes held as capital assets; and
- U.S. Holders (as defined below).

This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes. Prospective investors should note, however, that the classification of an instrument as debt or equity is highly factual, and it is possible that Notes might be issued that might be classified as equity for U.S. federal income tax purposes. No rulings have been or will be sought from the U.S. Internal Revenue Service (the “**IRS**”) with respect to the classification of the Notes in general or with respect to any particular Notes. Prospective investors should consult their tax advisors with respect to the proper classification of the Notes and the consequences of investing in any Notes that are not classified as debt for U.S. federal income tax purposes, including whether any such notes might be considered to be interests in a passive foreign investment company for U.S. federal income tax purposes, which could have materially adverse consequences for U.S. taxable investors.

This discussion does not describe all of the tax consequences that may be relevant in light of a Noteholder’s particular circumstances or to Noteholders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;

- traders in securities or foreign currencies electing to mark their positions to market;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organizations;
- persons subject to the alternative minimum tax;
- persons holding Notes as part of a hedging transaction, “straddle,” conversion transaction or other integrated transaction;
- U.S. Holders whose functional currency is not the U.S. dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate tax, gift tax or the medicare tax on net investment income. Moreover, this summary deals only with Notes with a term of 30 years or less. Persons considering the purchase of a particular Tranche of Notes should consult the relevant supplemental base prospectus issued in connection with that Tranche of Notes for any discussion regarding U.S. federal income taxation and should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

The tax treatment of certain Notes such as Floating Rate Notes and Notes that are not principal protected will be specified in the relevant supplemental base prospectus issued in connection with those Notes. This summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant limitations on U.S. Holders of Bearer Notes, including the limitations provided in Sections 165(j) and 1287(a) of the Code. U.S. Holders should consult their tax advisors regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Notes.

As used herein, the term “**U.S. Holder**” means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) if such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The term “**U.S. Holder**” also includes certain former citizens and residents of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult with their tax advisors regarding the U.S. federal tax consequences of an investment in the Notes.

Payments of Stated Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the Noteholder’s method of accounting for U.S. federal income tax purposes, **provided that** the interest is “qualified stated interest” (as defined below). “Qualified stated interest” is stated interest that is unconditionally payable, or constructively received under Section 451 of the Code, in cash or property (other than in debt instruments of the issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest. In addition, interest on a Floating Rate Note that is unconditionally payable, or will be constructively received under Section 451 of

the Code, in cash or property (other than debt instruments issued by the Issuer) at least annually will constitute "qualified stated interest" if the Note is a "variable rate debt instrument" ("VRDI") under the rules described below and the interest is payable at a single "qualified floating rate" or single "objective rate" (each as defined below). If the Note is a VRDI but the interest is payable other than at a single qualified floating rate or at a single objective rate, special rules apply to determine the portion of such interest that constitutes "qualified stated interest." See *"Original Issue Discount – Floating Rate Notes that are VRDIs,"* below. Interest income earned by a U.S. Holder with respect to a Note will generally constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the Noteholder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisors about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to short-term Notes, original issue discount Notes, contingent payment debt instruments and foreign currency Notes are described under *"Short-Term Notes," "Original Issue Discount," "Contingent Payment Debt Instruments"* and *"Foreign Currency Notes"*.

Definition of Variable Rate Debt Instrument. A Note is a VRDI if all of the four following conditions are met. First, the "issue price" of the Note (as described below) must not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Note that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity) and (ii) 15 per cent. of the total noncontingent principal payments. Second, the Note must generally provide for stated interest (compounded or paid at least annually) at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a "qualified inverse floating rate" (as defined below). Third, the Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day. Fourth, the Note may not provide for any principal payments that are contingent except as provided in the first requirement set forth above.

Subject to certain exceptions, a variable rate of interest on a Note is a "qualified floating rate" if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. A variable rate will be considered a qualified floating rate if the variable rate equals (i) the product of an otherwise qualified floating rate and a fixed multiple (i.e., a spread multiplier) that is greater than 0.65, but not more than 1.35 or (ii) an otherwise qualified floating rate (or the product described in clause (i)) plus or minus a fixed rate (i.e., a spread). If the variable rate equals the product of an otherwise qualified floating rate and a single spread multiplier greater than 1.35 or less than or equal to 0.65, however, such rate will generally constitute an objective rate, described more fully below. A variable rate will not be considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor or governor that is fixed throughout the term of the Note).

Subject to certain exceptions, an "objective rate" is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the Issuer's control (or the control of a related party) nor unique to the Issuer's circumstances (or the circumstances of a related party). Notwithstanding the first sentence of this paragraph, a rate on a Note is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term. An objective rate is a "qualified inverse floating rate" if (a) the rate is equal to a fixed rate minus a qualified floating rate and (b) the variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate).

Unless otherwise provided in the relevant supplemental base prospectus issued in connection with a particular Tranche of Notes, it is expected, and this discussion assumes, that a Floating Rate Note will qualify as a VRDI. If a Floating Rate Note does not qualify as a VRDI, then the Floating Rate Note will generally be treated as a contingent payment debt instrument, as discussed below under “*Contingent Payment Debt Instruments*.”

Original Issue Discount

Except in the case of a short-term Note, a Note that has an “issue price” that is less than its “stated redemption price at maturity” will be considered to have been issued at an original issue discount (“**OID**”) for U.S. federal income tax purposes (and will be referred to as an “original issue discount Note”) unless the Note satisfies a *de minimis* threshold (as described below). The “issue price” of a Note generally will be the first price at which a substantial amount of the Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Note generally will equal the sum of all payments required to be made under the Note other than payments of qualified stated interest.

If the difference between a Note’s stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity (or, in the case of a Note that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Note), the Note will not be considered to have OID. U.S. Holders of Notes with a *de minimis* amount of OID will include this OID in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

A U.S. Holder of original issue discount Notes will be required to include any qualified stated interest payments in income in accordance with the Noteholder’s method of accounting for U.S. federal income tax purposes.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including qualified stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and may revoke such election only with the permission of the IRS (a “**constant yield election**”).

We may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require us to redeem, a Note prior to its stated maturity date. Under applicable regulations, if we have an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilising any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, the yield on the Note would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require us to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Note would be higher than its yield to maturity. If this option is not in fact exercised, the Note would be treated, solely for purposes of calculating OID, as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note’s adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued OID, less any prior payments other than payments of qualified stated interest.

Fixed Rate Notes. In the case of a Fixed Rate Note that is an original issue discount Note, U.S. Holders of such Note will be required to include OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

Floating Rate Notes that are VRDIs. In the case of a Floating Rate Note that is a VRDI and that provides for interest at a single variable rate, the amount of qualified stated interest and the amount of OID, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Notes (described above) by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), the rate that reflects the yield that is reasonably expected for the Note. Qualified stated interest allocable to an accrual period is

increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period.

If a Note that is a VRDI does not provide for interest at a single variable rate as described above, the amount of interest and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows.

First, in the case of an instrument that provides for stated interest at one or more qualified floating rates or at a qualified inverse floating rate and, in addition, at a fixed rate (other than a fixed rate that is treated as, together with a variable rate, a single qualified floating rate or objective rate), replace the fixed rate with a qualified floating rate (or qualified inverse floating rate) such that the fair market value of the instrument, so modified, as of the issue date would be approximately the same as the fair market value of the unmodified instrument.

Second, determine the fixed rate substitute for each variable rate provided by the Note. The fixed rate substitute for each qualified floating rate provided by the Note is the value of that qualified floating rate on the issue date. If the Note provides for two or more qualified floating rates with different intervals between interest adjustment dates (for example, the 30-day commercial paper rate and quarterly LIBOR), the fixed rate substitutes are based on intervals that are equal in length (for example, the 90-day commercial paper rate and quarterly LIBOR, or the 30-day commercial paper rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Note.

Third, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Note, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Note.

Fourth, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules (described above) for Fixed Rate Notes. These amounts are taken into account as if the US Holder held the equivalent fixed rate debt instrument. See "*Payments of Stated Interest*" and "*Original Issue Discount – Fixed Rate Notes*," above.

Fifth, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or, in certain circumstances, OID allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument.

Market Discount

If a U.S. Holder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the Noteholder to include market discount in income as it accrues, or pursuant to a constant yield election (as described under "*Original Issue Discount*") by the Noteholder. In addition, the U.S. Holder may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

If a U.S. Holder makes a constant yield election for a Note with market discount, such election will result in a deemed election for all market discount bonds acquired by the Noteholder on or after the first day of the first taxable year to which such election applies. This election may only be revoked with the consent of the IRS.

Acquisition Premium and Amortisable Bond Premium

A U.S. Holder who purchases a Note for an amount that is greater than the Note's adjusted issue price, but less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of OID that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount in excess of the sum of the remaining amounts payable on the Note (other than qualified stated interest), the Noteholder will be considered to have purchased the Note with amortisable bond premium equal in amount to such excess. The Noteholder may elect to amortise this premium as an offset to qualified stated interest, using a constant yield method, over the remaining term of the Note. Special rules may apply in the case of a Note that is subject to optional redemption. A Noteholder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the Noteholder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under "*Original Issue Discount*") for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Noteholder's debt instruments with amortisable bond premium.

Sale, Exchange, Retirement or the Taxable Disposition of the Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will generally recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, retirement or other taxable disposition and the Noteholder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of OID and market discount included in the Holder's gross income and decreased by any payment received from the Issuer other than a payment of qualified stated interest and any amortisable bond premium taken into account. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Note. Amounts attributable to accrued interest (including OID) are treated as interest as described under "*Payments of Stated Interest*" and "*Original Issue Discount*".

Except as described below, gain or loss realised on the sale, exchange, retirement or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the U.S. Holder has held the Note for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the Noteholder's taxable income. See "*Original Issue Discount*" and "*Market Discount*". In addition, other exceptions to this general rule apply in the case of short-term Notes, foreign currency Notes, and contingent payment debt instruments. See "*Short-Term Notes*", "*Foreign Currency Notes*" and "*Contingent Payment Debt Instruments*". The deductibility of capital losses is subject to limitations.

Short-Term Notes

A Note that matures one year or less from its date of issuance (a "**short-term Note**") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. In general, a cash method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so, with the consequence that the reporting of such income is deferred until it is received. Noteholders who so elect and certain other Noteholders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for

any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount (which includes interest that is payable but that has not been included in gross income) interest income with respect to such short-term Note until the accrued discount is included in income. A U.S. Holder's tax basis in a short-term Note is increased by the amount included in such holder's income on such a Note.

Contingent Payment Debt Instruments

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including certain Floating Rate Notes that do not qualify as VRDIs) they will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must accrue interest for U.S. federal income tax purposes based on a "comparable yield" and account for differences between actual payments on the Note and the Note's "projected payment schedule" as described below. The comparable yield is determined by us at the time of issuance of the Notes and equals the greater of (i) annual yield an issuer would pay, as of the issue date, on a fixed-rate, nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to the contingent payment debt instrument and (ii) the applicable federal rate. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, we will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual amount, if any, that the contingent payment debt instrument will pay

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by us in determining interest accruals and adjustments in respect of an contingent payment debt instrument, unless the Noteholder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of its method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment debt instrument (as set forth below). As such, a U.S. Holder may be required to include interest in income each year in excess of any stated interest payments actually received in that year, if any.

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a Noteholder would otherwise be required to include in income in the taxable year;
- to the extent of any excess, will give rise to an ordinary loss equal to the extent of the U.S. Holder's interest income on the contingent debt obligation during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments; and
- to the extent of any excess after the application of the previous two bullet points, will be carried forward as a negative adjustment to offset future interest income with respect to the contingent debt obligation or to reduce the amount realised on a sale, exchange or retirement of the contingent debt obligation.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous deductions. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and

treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange, retirement or other taxable disposition of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Noteholder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a Noteholder recognises loss above certain thresholds, the Noteholder may be required to file a disclosure statement with the IRS (as described under "*Reportable Transactions*").

Special rules will apply if one or more contingent payments on a contingent debt obligation become fixed. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the contingent debt regulations. A U.S. Holder's tax basis in the contingent debt obligation and the character of any gain or loss on the sale of the contingent debt obligation would also be affected. U.S. Holders are urged to consult their tax advisers concerning the application of these special rules.

Foreign Currency Notes

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**foreign currency Notes**"). However, the U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of currency-linked Notes and non-functional currency contingent payment debt instruments are not discussed herein and will be discussed in any supplemental base prospectus issued in connection with the issuance of such Notes and instruments.

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the Noteholder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Noteholder should make any of these elections may depend on the Noteholder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency. A cash method Noteholder who receives a payment of qualified stated interest in U.S. dollars pursuant to an option available under such Note will generally be required to include the amount of this payment in income upon receipt.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the

difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a Noteholder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue OID or market discount.

An accrual method U.S. Holder may elect to translate interest income (including OID) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

OID, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the foreign currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's tax basis in a foreign currency Note, and the amount of any subsequent adjustment to the Noteholder's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a foreign currency Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange, retirement or other taxable disposition of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the Noteholder on the sale, exchange, retirement or other taxable disposition of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the Noteholder or the "qualified business unit" of the Noteholder on whose books the Note is properly reflected. Any gain or loss realised by these Noteholders in excess of the foreign currency gain or loss will be capital gain or loss except that any gain will be treated as ordinary income to the extent of any accrued market discount or, in the case of short term Note, to the extent of any discount not previously included in the Noteholder's income. Noteholders should consult their tax advisors with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange, retirement or other taxable disposition of a foreign currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method

taxpayer who buys or sells a foreign currency Note is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations **provided that** the Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realized by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase foreign currency Notes) will be ordinary income or loss.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes (including any accrued OID) and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the Noteholder's U.S. federal income tax liability and may entitle them to a refund, **provided that** the required information is timely furnished to the IRS.

Other Reporting Requirements

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS by attaching Form 8886 to their tax returns and retaining a copy of all documents and records relating to the transaction. The scope and application of these rules is not entirely clear and whether an investment in a Note constitutes a "reportable transaction" for any holder depends on the holder's particular circumstances. For example, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders. In the event the acquisition, ownership or disposition of Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Notes and should be aware that we (or other participants in the transaction) may determine that the investor list maintenance requirement applies to the transaction and comply accordingly with this requirement.

For taxable years beginning after 18 March 2010, certain U.S. Holders who are individuals are required to report information relating to an interest in our Notes, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a Noteholder's particular situation. Noteholders should consult their tax advisors with respect to the tax consequences to them of the ownership and disposition of the Notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

CERTAIN ERISA AND OTHER CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "employee benefit plans" (as defined in section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. In addition, the U.S. Department of Labor has issued a final regulation concerning the definition of what constitutes plan assets. This regulation provides that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and certain other entities in which a Plan makes an equity investment will be deemed for purposes of ERISA to be assets of the investing Plan if benefit plan investors own 25 per cent. or more of the equity interests of the Issuer, subject to certain exceptions that are not expected to be applicable. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise in connection with the purchase and holding of Notes (or any interest therein), particularly if any Notes are acquired by a Plan with respect to which any of the Issuer, the Guarantor, the Arranger or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. No assurance is given regarding whether the purchase or holding of any Notes would be considered to involve an extension of credit to the Issuer for purposes of ERISA or Section 4975 of the Code. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. In addition no assurance is given regarding whether the Notes may be deemed to be equity interests in the Issuer for ERISA purposes or whether benefit plan investors may own 25 per cent. or more of the Notes. Accordingly, unless otherwise stated in the Final Terms, by its purchase of any Notes each original or subsequent purchaser or transferee of a Note will be deemed to have represented and agreed either that (i) it is not and for so long as it holds a Note (or any interest therein) will not be a Plan, an entity whose underlying assets include the assets of any such Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of a Note will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state, local or non-U.S. law) for which an exemption is not available.

Governmental plans and certain church and other U.S. or non-U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, other federal or non-U.S. laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

THE SALE OF NOTES TO A PLAN IS IN NO RESPECT A REPRESENTATION BY THE ISSUER, THE GUARANTOR, THE ARRANGER OR THE DEALERS THAT SUCH AN INVESTMENT MEETS ALL RELEVANT REQUIREMENTS WITH RESPECT TO INVESTMENTS BY PLANS GENERALLY OR ANY PARTICULAR PLAN, OR THAT SUCH AN INVESTMENT IS APPROPRIATE FOR PLANS GENERALLY OR ANY PARTICULAR PLAN.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the "**Programme Agreement**") dated 7 December 2012, agreed with the Issuer and Qtel a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*".

In accordance with the terms of the Programme Agreement, the Issuer (failing which, Qtel) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and the Issuer and Qtel have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Certain of the Dealers and their respective affiliates have, in the past, performed investment banking and advisory services for, and provided credit facilities to, Qtel for which they have received customary fees and expenses. Each of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, Qtel in the ordinary course of their respective businesses. Qtel may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities. See "*Use of Proceeds*".

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter; or (c) it is outside the United States and is not a U.S. person;
- (ii) that the Notes and the Guarantee are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series (or the date on which full consideration has been paid for Partly Paid Notes) and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only: (a) to the Issuer or any affiliate thereof; (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A or, if the applicable Final Terms so permit, to an Institutional Accredited Investor that has delivered a duly executed IAI Investment Letter in a private transaction exempt from the registration requirements of the Securities Act; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

- (v) unless otherwise stated in the Final Terms, either (A) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a “plan” as defined in and subject to Section 4975 of the Code (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to Title I of ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental or other benefit plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) its purchase and holding of a Note will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state, local or non-U.S. law) for which an exemption is not available;
- (vi) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vii) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT [(1)] IT IS A “**QUALIFIED INSTITUTIONAL BUYER**” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS [OR (2) IT IS AN INSTITUTIONAL “**ACCREDITED INVESTOR**” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN “**INSTITUTIONAL ACCREDITED INVESTOR**”)]; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES (OR THE DATE ON WHICH FULL CONSIDERATION HAS BEEN PAID FOR PARTLY PAID NOTES) AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR, IF THE APPLICABLE FINAL TERMS SO PERMIT, TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT HAS DELIVERED A DULY EXECUTED IAI INVESTMENT LETTER IN A PRIVATE TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO

RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON);

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED EITHER THAT (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN **"EMPLOYEE BENEFIT PLAN"** AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**"ERISA"**) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A **"PLAN"** AS DEFINED IN AND SUBJECT TO THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **"CODE"**), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.";

- (viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **"SECURITIES ACT"**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE WITH RESPECT TO ORIGINAL ISSUANCE OF THIS SECURITY, THIS SECURITY AND ANY INTEREST HEREIN MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE SECURITIES ACT AND ALL APPLICABLE LAWS OF ANY OTHER JURISDICTION.";

- (ix) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (x) the Notes, when registered in the name of a nominee of DTC, will bear a legend to the following effect unless otherwise agreed by the Issuer;

"UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT,

AND ANY REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND."

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Section 4(2) or Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form. See "*Form of the Notes*".

The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of the Base Prospectus and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Base Prospectus and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, Qtel nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, Qtel and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer, Qtel and the relevant Dealer(s) shall agree in the relevant subscription agreement.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

Where the D Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, each Dealer will be required to represent, undertake and agree that:

- (i) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the “**D Rules**”) that it has not offered or sold and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person and it has not delivered and that it will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (ii) it has, and throughout the restricted period it will have in effect, procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (iii) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6);
- (iv) with respect to each affiliate that acquires Notes from it for the purpose of offering or selling such Notes during the restricted period, it either: (a) repeats and confirms the representations and agreements contained in subparagraphs (i), (ii) and (iii) above on such affiliate’s behalf; or (b) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in subparagraphs (i), (ii) and (iii) of this paragraph; and
- (v) it shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in subparagraphs (i), (ii), (iii), (iv) and (v) of this paragraph from any person other than its affiliate with whom it enters into a written contract, (a “**distributor**” as defined in U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4(ii))), for the offer or sale during the restricted period of the Notes.

Where the TEFRA C Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, the Notes must, in accordance with their original issuance, be issued

and delivered outside the United States and its possessions and, accordingly, each Dealer will be required to represent, warrant and undertake that, in connection with the original issuance of the Notes:

- (i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and
- (ii) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if it or such prospective purchaser is within the United States or its possessions and will not otherwise involve its United States office in the offer and sale of Notes.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("**Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes: (i) as part of their distribution at any time; or (ii) otherwise until forty days after the completion of the distribution, as determined and certified by the relevant Dealer(s) or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager(s), of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until forty days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Dealers may also arrange for the sale of Notes to Institutional Accredited Investors in private transactions exempt from the registration requirements of the Securities Act. Each Institutional Accredited Investor will be required to deliver a duly executed IAI Investment Letter. The minimum aggregate principal amount of Notes which may be purchased by an Institutional Accredited Investor is U.S.\$500,000.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or Qtel; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;

- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (i) an "Exempt Offer" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations place restrictions on secondary market activity with respect to the Notes, including as follows:

- (i) a Saudi Investor (referred to as a "**transferor**") who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:
 - (a) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;
 - (b) the Notes are offered or sold to a sophisticated investor; or
 - (c) the Notes are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;
- (ii) if the requirement of paragraph (i)(a) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;
- (iii) if the requirement in paragraph (ii) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and
- (iv) the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Notes.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make the Notes available to the public in the Kingdom of Bahrain.

Qatar

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes in Qatar, except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

Bermuda

Securities may be offered or sold in Bermuda only in compliance with the provisions of the Companies Act 1981 (as amended), the Investment Business Act 2003, the Exchange Control Act 1972 and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific permission is required from the Bermuda Monetary Authority (the “**BMA**”), pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA, in its policy dated 1 June 2005, provides that, in respect of a Bermuda company, which does not have any equity securities (an equity security is defined as a share issued by a Bermuda company which entitles the holder to vote for or appoint one or more directors or a security which by its terms is convertible into a share which entitles the holder to vote for or appoint one or more directors) listed on an appointed stock exchange (which the Issuer does not), general permission is given for the issue and subsequent transfer of any securities, other than equity securities, from and/or to a non-resident of Bermuda. The general permission does not apply to securities held in bearer form. The BMA has granted specific permission to the Issuer for: (i) the issue of the Notes to “Qualified Institutional Buyers” (as defined in Rule 144A promulgated under the Securities Act in compliance with Rule 144A) and “Accredited Investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act in the United States; and outside the United States pursuant to and in reliance on Regulation S under the Securities Act and in accordance with local securities laws and regulations, in all cases with a minimum Note denomination of €100,000; and (ii) the free transferability of Notes so long as the Notes are admitted to the Official List of the Irish Stock Exchange or any other Appointed Stock Exchange (as defined in the Companies Act 1981); and the free transferability of the Notes if not so listed in accordance with local securities laws and regulations, in all cases with a minimum Note denomination of €100,000.

The BMA consent referred to above covers the issue and free transferability of the Notes being offered by the Issuer pursuant to this Base Prospectus but not any supplement thereto. The Issuer has also obtained a direction from the Minister of Finance of Bermuda that Part III and Section 35 of Part IV of the Companies Act 1981 of Bermuda relating to the offering of the Notes shall not apply to the offering of the Notes under the Programme, **provided that** they are only offered, up to the maximum aggregate nominal amount, to “Qualified Institutional Buyers” (as defined in Rule 144A under the Securities Act in compliance with Rule 144A) and “Accredited Investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act in the United States; and (ii) outside the United States pursuant to and in reliance on Regulation S under the Securities Act and in accordance with local securities laws and regulations, in all cases with a minimum Note denomination of €100,000. The BMA, the Minister of Finance of Bermuda and the Registrar of Companies accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this Base Prospectus or in any prospectus supplement.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not invited and will not invite members of the public in Bermuda to subscribe for or purchase the Notes, that it has not and will not offer the Notes for subscription, sale or transfer in Bermuda or to, or for the account of, persons resident in Bermuda and that it has complied, and will comply, with all applicable provisions of, the Companies Act 1981 of Bermuda, the Investment Business Act 2003 of Bermuda and any other

relevant legislation of Bermuda with respect to anything done by it in relation to the Notes in, from or otherwise involving Bermuda.

Although incorporated and registered in Bermuda, the Issuer has been classified as non-resident in Bermuda for Bermuda exchange control purposes by the BMA. Accordingly, the Issuer may convert currency (other than BMD) held for its account to any other currency and transfer such currency from Bermuda without legal restriction.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**FIEA**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

Switzerland

This Base Prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The Notes will not be listed on the SIX Swiss Exchange and, therefore, this Base Prospectus may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the Notes with a view to distribution. The prospective investors must be individually approached by a Dealer from time to time.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was duly authorised by resolutions of the Board of Directors of the Issuer dated 6 December 2012 and the giving of the Guarantee was duly authorised by resolutions of the Board of Directors of Qtel dated 27 November 2012. Each of the Issuer and Qtel has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the Guarantee.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and admitted to trading on the Main Securities Market. The approval of the Programme in respect of Notes is expected to be granted on or around 7 December 2012. Unlisted Notes may be issued pursuant to the Programme.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection in hard copy from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London:

- (i) the constitutional documents of the Issuer and Qtel;
- (ii) the audited financial statements of the Issuer in respect of the periods ended and as at 31 December 2009, 2010 and 2011 and the consolidated audited annual financial statements of Qtel in respect of the financial years ended and as at 31 December 2009, 2010 and 31 December 2011, together with the audit reports prepared in connection therewith;
- (iii) the unaudited interim condensed consolidated financial statements of Qtel as at 30 September 2012, together with the review report prepared in connection therewith;
- (iv) the most recently published audited annual financial statements of the Issuer and Qtel, together with any audit reports prepared in connection therewith;
- (v) the most recently published consolidated quarterly financial statements of Qtel, together with any review reports prepared in connection therewith;
- (vi) the Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (vii) a copy of this Base Prospectus; and
- (viii) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that the Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

Material Contracts

Neither the Issuer nor Qtel or any of its subsidiaries has entered into any material contracts outside the ordinary course of business which could result in its being under an obligation or entitlement which is, or may be, material to the ability of the Issuer or Qtel to meet its obligations in respect of the Notes.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or ISIN numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) Common Code, will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B 1210 Brussels, and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L 1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, USA.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer, Qtel and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Issuer since 31 December 2011.

There has been no significant change in the financial or trading position of Qtel or the Group since 30 September 2012 and there has been no material adverse change in the prospects of Qtel or the Group since 31 December 2011.

Litigation

Save as disclosed in this Base Prospectus on pages 139 and 140, neither the Issuer nor Qtel nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Qtel is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, Qtel or the Group.

Auditors

The consolidated financial statements of Qtel and its consolidated subsidiaries as of and for the periods ended 31 December 2009 and 2010 and the financial statements of the Issuer as of and for the periods ended 31 December 2009, 2010 and 2011 included in this Base Prospectus have been audited by Ernst & Young, Qatar, independent auditors, a member firm of Ernst & Young Global Limited, as stated in their report appearing herein. Ernst & Young are public accountants registered to practise as auditors with the Ministry of Business & Trade in Qatar.

The consolidated financial statements of the Issuer and Qtel as of and for the period ending 31 December 2011 included in this Base Prospectus have been audited by KPMG Qatar, independent auditors, as stated in their report appearing herein. KPMG Qatar are public accountants registered to practise as auditors with the Ministry of Business & Trade in Qatar.

Dealers transacting with the Issuer and the Guarantor

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, Qtel and the Group in the ordinary course of business for which they may receive fees. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, Qtel and their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer, Qtel and their affiliates routinely hedge their credit exposure to the Issuer, Qtel and their affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into

transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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INDEX TO FINANCIAL INFORMATION

Financial statements as at 31 December 2011 of Qtel International Finance Limited	F-2
Financial statements as at 31 December 2010 of Qtel International Finance Limited	F-15
Financial statements as at 31 December 2009 of Qtel International Finance Limited	F-27
Consolidated financial statements as at for the year ended ended 31 December 2011 of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries with the report of the independent auditors	F-38
Consolidated financial statements as at and for the year ended 31 December 2010 of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries with the report of the independent auditors	F-128
Consolidated financial statements as at and for the year ended 31 December 2009 of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries with the report of the independent auditors	F-220
Unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2012 of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries with the review report of the independent auditors*	F-310

* *With respect to the unaudited condensed interim financial statements as of and for the nine month period ended 30 September 2012 (with the nine month period ended 30 September 2011 as the comparative period) included herein, KPMG Qatar, independent auditors, have reported that they applied limited procedures in accordance with the professional standards for a review of such information. However, the separate report included herein, states that they did not audit and they do not express an opinion on the interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.*

Qtel International Finance Limited

FINANCIAL STATEMENTS

31 December 2011

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF QTEL INTERNATIONAL FINANCE LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Qtel International Finance Limited (the "Company"), which comprise the statement of financial position as at 31 December 2011, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

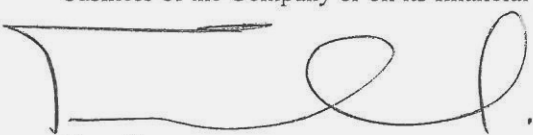
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Qtel International Finance Limited as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, proper books of account have been kept by the Company in accordance with the provisions of the section 90 of the Bermuda Companies Act and the Articles of Association. We obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the section 90 of the Bermuda Companies Act or of the Articles of Association of the Company have occurred during the year ended 31 December 2011 which would have had a material effect on the business of the Company or on its financial position.



Firas Qoussous
of Ernst & Young
Auditor's Registration No.236

Date: 15 April 2012
Doha



Qtel International Finance Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	<i>Note</i>	<i>2011</i> <i>USD'000</i>	<i>2010</i> <i>USD'000</i>
Finance income		230,382	134,464
Finance costs	4	(230,382)	(134,464)
PROFIT (LOSS) FOR THE YEAR		-	-
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

The attached notes 1 to 10 form part of these financial statements

Qtel International Finance Limited

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 USD'000	2010 USD'000
ASSETS			
Non-current asset			
Interest bearing loan to parent company	5	<u>4,204,312</u>	<u>4,198,100</u>
Current asset			
Amounts due from parent company	8	<u>38,076</u>	<u>30,988</u>
TOTAL ASSETS		<u>4,242,388</u>	<u>4,229,088</u>
EQUITY AND LIABILITIES			
Equity			
Share capital*	6	<u>-</u>	<u>-</u>
Total equity		<u>-</u>	<u>-</u>
Non-current liability			
Interest bearing borrowings	7	<u>4,204,312</u>	<u>4,198,100</u>
Current liability			
Interest payable and accrued expenses		<u>38,076</u>	<u>30,988</u>
Total liabilities		<u>4,242,388</u>	<u>4,229,088</u>
TOTAL EQUITY AND LIABILITIES		<u>4,242,388</u>	<u>4,229,088</u>

* The share capital of the company is USD 100.



Dr. Nasser Marafih
Chairman of the Board



Ajay Bahri
Member of the Board

Qtel International Finance Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	<i>Share capital USD</i>	<i>Total USD</i>
Balance at 1 January 2010	<u>100</u>	<u>100</u>
Balance at 31 December 2010	<u>100</u>	<u>100</u>
Balance at 31 December 2011	<u>100</u>	<u>100</u>

Note:

These amounts are reported in absolute figures.

Qtel International Finance Limited

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	<i>2011</i> <i>USD'000</i>	<i>2010</i> <i>USD'000</i>
OPERATING ACTIVITIES		
Profit (loss) for the year	-	-
Adjustments for:		
Finance costs	230,382	134,464
Finance income	<u>(230,382)</u>	<u>(134,464)</u>
Operating profit (loss) before working capital changes	-	-
Interest payable and accrued expenses	7,088	25,113
Amount due from parent company	<u>(7,088)</u>	<u>(25,113)</u>
Net cash used in operating activities	<u>-</u>	<u>-</u>
INVESTING ACTIVITY		
Interest bearing loan to parent company	<u>(6,212)</u>	<u>(2,721,652)</u>
Net cash used in investing activity	<u>(6,212)</u>	<u>(2,721,652)</u>
FINANCING ACTIVITY		
Net movement in interest bearing borrowings	<u>6,212</u>	<u>2,721,652</u>
Net cash from financing activity	<u>6,212</u>	<u>2,721,652</u>
NET MOVEMENT IN BANK BALANCES AND CASH	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u><u>-</u></u>	<u><u>-</u></u>

The attached notes 1 to 10 form part of these financial statements

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qtel International Finance Limited (the “Company”) is registered as an exempt company with limited liability. The company was incorporated in Bermuda under the Companies Act 1981 on 8 May 2009. The Company’s registration number is 43194, and its registered office at Canon’s court, 22 Victoria Street, Hamilton HM 12.

The Company is a fully owned subsidiary of Qatar Telecom (“Qtel”) Q.S.C (“the parent company”), a Qatari Shareholding Company listed on the Qatar Exchange.

The purpose of Qtel International Finance Limited is to raise notes and capital for the parent company’s financing requirements.

The financial statements were authorised for issue by the Chairman and a Member of Board on 15 April 2012.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards and with the provisions of the section 90 of the Bermuda Companies Act.

The financial statements are presented in US Dollars, which is the Company’s functional and presentation currency and all values are rounded to the nearest thousand (“USD’000”), except where otherwise indicated.

The financial statements are prepared under the historical cost convention.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2010, except for the adoption of following;

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of those amendments did not have any impact on the financial position or performance of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IASB Standards and interpretations issued but not adopted

The following IASB standards have been issued but are not yet mandatory, and have not been early adopted by the Company:

<i>Standard</i>	<i>Title</i>
IAS 1	Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (Effective for annual periods on or after 1 July 2012.
IAS 27	IAS 27 Separate Financial Statements (as revised in 2011) (Effective 1 January 2013)
IAS 28	Investments in Associates and Joint Ventures (as revised in 2011) (Effective 1 January 2013)
IFRS 9	Instruments: Classification & Measurement (Part 1) (Effective 1 January 2015)
IFRS 10	Consolidated Financial Statements (Effective 1 January 2013)
IFRS 11	Joint Arrangements (Effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (Effective 1 January 2013)
IFRS 13	Fair Value Measurement (Effective 1 January 2013)

The Company is considering the implications of the above standards, the impact on the Company and the timing of its adoption by the Company.

Finance income

Finance income is recognised using the effective interest method.

Accounts receivable

Accounts receivables are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method, with any differences between the cost and final settlement values being recognized in the statement of comprehensive income over the period of borrowings. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the statement of comprehensive income when the liabilities are derecognised. Interest relating to interest bearing loans and borrowings is expensed in the year in which it incurs except those which qualify for capitalisation.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Fair values

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4 FINANCE COSTS

	<i>2011</i> <i>USD'000</i>	<i>2010</i> <i>USD'000</i>
Interest expenses	224,170	130,628
Amortised finance costs	<u>6,212</u>	<u>3,836</u>
	<u>230,382</u>	<u>134,464</u>

5 INTEREST BEARING LOAN TO PARENT COMPANY

	<i>2011</i> <i>USD'000</i>	<i>2010</i> <i>USD'000</i>
Loans face value (Notes)	4,250,000	4,250,000
Less: Deferred financing costs	(45,688)	(51,900)
	<u>4,204,312</u>	<u>4,198,100</u>

Notes:

Facility A

- (i) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 10 June 2009 amounting to USD 900,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 6.5% per annum and is repayable in full on 10 June 2014.

Facility B

- (ii) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 10 June 2009 amounting to USD 600,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 7.875% per annum and is repayable in full on 10 June 2019.

Facility C

- (iii) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 14 October 2010 amounting to USD 1,000,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 3.375% per annum and is repayable in full on 14 October 2016.

Facility D

- (iv) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 14 October 2010 amounting to USD 1,000,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 4.750% per annum and is repayable in full on 16 February 2021.

Facility E

- (v) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 19 October 2010 amounting to USD 750,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 5.000% per annum and is repayable in full on 19 October 2025.

6 SHARE CAPITAL

The authorised and issued share capital of the Company is USD 100 divided into 100 shares of par value USD 1 each.

7 INTEREST BEARING BORROWINGS

	<i>2011</i> <i>USD'000</i>	<i>2010</i> <i>USD'000</i>
Global medium term note programme	4,250,000	4,250,000
Less: Deferred financing costs	(45,688)	(51,900)
	<u>4,204,312</u>	<u>4,198,100</u>

US Dollar 5,000,000,000 Global Medium Term Note Programme:

On 27 May 2009, the Company established a US Dollar 5,000,000,000 Global Medium Term Note Programme (“Notes”) and officially listed on the London Stock Exchange, which is unconditionally and irrevocably guaranteed by the parent company. The Notes can be issued in any number of series, but the maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme should not exceed US Dollar 5,000,000,000. Subsequent to listing, the Company issued two series of Notes and received the proceeds of the Notes on 10 June 2009. These Notes have a total face value of US Dollar 1,500,000,000 and carry interest at fixed rates. The two series are:

- First series Notes amounting to US Dollar 900,000,000 which bear interest at fixed coupon rate of 6.5% per annum starting from 10 June 2009. These Notes will mature on 10 June 2014.
- Second series Notes amounting to US Dollar 600,000,000 which bears interest at fixed coupon rate of 7.875% per annum starting from 10 June 2009. These Notes will mature on 10 June 2019.

An update of the US Dollar 5,000,000,000 Notes was completed and dated 5 October 2010. Subsequently, the Company issued three additional series of Notes. These Notes have a total face value of US\$ 2,750,000,000 and carry fixed interest rates. The three series are:

- Third series Notes amounting to US Dollar 1,000,000,000 which bears interest at fixed coupon rate of 3.375% per annum starting from 14 October 2010. These Notes will mature on 14 October 2016.
- Fourth series Notes amounting to US Dollar 1,000,000,000 which bears interest at fixed coupon rate of 4.750% per annum starting from 14 October 2010. These Notes will mature on 16 February 2021.
- Fifth series Notes amounting to US Dollar 750,000,000 which bears interest at fixed coupon rate of 5.000% per annum starting from 19 October 2010. These Notes will mature on 19 October 2025.

8 RELATED PARTY DISCLOSURES

Related parties represent the parent company, the shareholder, associated companies and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Related party transactions

Transactions with related parties included in the statement of comprehensive income are as follows:

	<i>2011</i> <i>USD'000</i>	<i>2010</i> <i>USD'000</i>
Finance income	<u>230,382</u>	<u>134,464</u>

Related party balance

	<i>2011</i> <i>USD'000</i>	<i>2010</i> <i>USD'000</i>
Amounts due from parent company	<u>38,076</u>	<u>30,988</u>

The ultimate parent company

The Company's ultimate parent is Qatar Telecom ("Qtel") Q.S.C.

9 FINANCIAL RISK MANAGEMENT

Objective and policies

The Company's principal financial liabilities comprise interest bearing borrowings and interest payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's financial asset comprises of interest bearing loan to parent company and amounts due from parent company.

The main risks arising from the Company's financial instruments are market risk and liquidity risk. Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Company's income or the value of its holdings of financial instruments. The management reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's financial assets and liabilities with floating interest rates. The Company does not have floating rate interest bearing financial liabilities and the financial assets that are subject to interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Company is not exposed to foreign currency risk as the Company's assets and liabilities are not denominated in foreign currencies at 31 December 2011.

9 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring that the parent company's fundings are available.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments.

	<i>Within one year USD '000</i>	<i>1 to 5 years USD '000</i>	<i>> 5 years USD '000</i>	<i>Total USD '000</i>
Year ended 31 December 2011				
Interest bearing borrowings	-	1,900,000	2,350,000	4,250,000
Interest payable	224,500	741,375	641,674	1,607,549
Total	224,500	2,641,375	2,991,674	5,857,549

	<i>Within one year USD '000</i>	<i>1 to 5 years USD '000</i>	<i>> 5 years USD '000</i>	<i>Total USD '000</i>
Year ended 31 December 2010				
Interest bearing borrowings	-	900,000	3,350,000	4,250,000
Interest payable	255,488	807,000	800,219	1,862,707
Total	255,488	1,707,000	4,150,219	6,112,707

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions and shareholders' expectation. To maintain or adjust the capital structure, the Company may increase capital. Capital comprises shareholders' equity and is measured at USD 100 on 31 December 2011 (2010: USD 100).

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of interest bearing loan to parent company and amounts due from parent company. Financial liabilities consist of interest bearing borrowings and interest payable.

The fair values of financial instruments are not materially different from their carrying values.

Qtel International Finance Limited

FINANCIAL STATEMENTS

31 December 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF QTEL INTERNATIONAL FINANCE LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Qtel International Finance Limited (the "Company"), which comprise the statement of financial position as at 31 December 2010, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

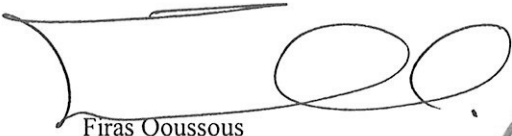
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Qtel International Finance Limited as of 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, proper books of account have been kept by the Company in accordance with the provisions of the section 90 of the Bermuda Companies Act and the Articles of Association. We obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the section 90 of the Bermuda Companies Act or of the Articles of Association of the Company have occurred during the year ended 31 December 2010 which would have had a material effect on the business of the Company or on its financial position.



Firas Qoussous
Of Ernst & Young
Auditor's Registration No.236

Date: 15 May 2011
Doha



Qtel International Finance Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

		<i>31 December</i> <i>2010</i> <i>USD</i>	<i>8 May</i> <i>to</i> <i>31 December</i> <i>2009</i> <i>USD</i>
	<i>Note</i>		
Finance income		134,463,928	60,473,888
Finance costs	4	<u>(134,463,928)</u>	<u>(60,473,888)</u>
PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR/PERIOD		<u>-</u>	<u>-</u>

The attached notes 1 to 10 form part of these financial statements

Qtel International Finance Limited
STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	2010 USD	2009 USD
ASSETS			
Non-current asset			
Interest bearing loan to parent company	5	<u>4,198,100,265</u>	<u>1,476,448,071</u>
Current asset			
Amounts due from parent company	8	<u>30,987,947</u>	<u>5,875,100</u>
TOTAL ASSETS		<u>4,229,088,212</u>	<u>1,482,323,171</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	6	<u>100</u>	<u>100</u>
Total equity		<u>100</u>	<u>100</u>
Non-current liability			
Interest bearing borrowings	7	<u>4,198,100,265</u>	<u>1,476,448,071</u>
Current liability			
Interest payable and accrued expenses		<u>30,987,847</u>	<u>5,875,000</u>
Total liabilities		<u>4,229,088,112</u>	<u>1,482,323,071</u>
TOTAL EQUITY AND LIABILITIES		<u>4,229,088,212</u>	<u>1,482,323,171</u>


.....
Dr. Nasser Marafih
Chairman of the Board


.....
Ajay Bahri
Member of the Board

The attached notes 1 to 10 form part of these financial statements

Qtel International Finance Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	<i>Share capital USD</i>	<i>Total USD</i>
Contribution	<u>100</u>	<u>100</u>
Balance at 31 December 2009	<u>100</u>	<u>100</u>
Balance at 31 December 2010	<u>100</u>	<u>100</u>

The attached notes 1 to 10 form part of these financial statements

Qtel International Finance Limited

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	<i>31 December 2010 USD</i>	<i>8 May to 31 December 2009 USD</i>
OPERATING ACTIVITIES		
Profit (Loss) for the period	-	-
Adjustments for:		
Finance costs	134,463,928	60,473,888
Finance income	<u>(134,463,928)</u>	<u>(60,473,888)</u>
Operating profit (loss) before working capital changes	-	-
Interest payable and accrued expenses	25,112,847	5,875,000
Amount due from parent company	<u>(25,112,847)</u>	<u>(5,875,100)</u>
Net cash used in operating activities	<u>-</u>	<u>(100)</u>
INVESTING ACTIVITY		
Interest bearing loan to parent company	<u>(2,721,652,194)</u>	<u>(1,476,448,071)</u>
Net cash used in investing activity	<u>(2,721,652,194)</u>	<u>(1,476,448,071)</u>
FINANCING ACTIVITIES		
Contribution to share capital	-	100
Net movement in interest bearing borrowings	<u>2,721,652,194</u>	<u>1,476,448,071</u>
Net cash from financing activities	<u>2,721,652,194</u>	<u>1,476,448,171</u>
NET MOVEMENT IN BANK BALANCES AND CASH	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>-</u>	<u>-</u>

The attached notes 1 to 10 form part of these financial statements

Qtel International Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qtel International Finance Limited (the “Company”) is registered as an exempt company with limited liability. The company was incorporated in Bermuda under the Companies Act 1981 on 8 May 2010. The Company’s registration number is 43194, and its registered office at Canon’s court, 22 Victoria Street, Hamilton HM 12.

The Company is fully owned subsidiary of Qatar Telecom Q.S.C (Qtel) (“the parent company”), a Qatari Shareholding Company listed on the Qatar Stock Exchange.

The purpose of Qtel International Finance Limited is to raise notes and capital for the parent company’s financing requirements.

The financial statements were authorised for issue by the Chairman on 15 May 2011.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards and with the provisions of the section 90 of the Bermuda Companies Act.

The financial statements are presented in US Dollars, which is the Company’s functional and presentation currency.

The financial statements are prepared under the historical cost convention.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2009, except for the adoption of following;

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of those amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

The following standards, amendments and interpretations have been issued but are mandatory for accounting periods beginning on or after 1 January 2011 or later periods and have not yet been adopted by the Company:

Standard/ Interpretation	Content	Effective date
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2011
IAS 24	Related Party Disclosures (Amendment)	1 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues (Amendment)	1 January 2011
IFRS 9	Financial Instruments Part 1: Classification and Measurement	1 January 2013
Improvements to IFRS	Omnibus of Annual Improvements issued in 2010	1 January 2011

The Company is considering the implications of the above standards and interpretations, the impact on the Company and the timing of adoption by the Company. The Company did not early adopt any new or amended standards in 2010.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance income

Finance income is recognised using the effective interest method.

Accounts receivable

Accounts receivables are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method, with any differences between the cost and final settlement values being recognized in the statement of comprehensive income over the period of borrowings. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the statement of comprehensive income when the liabilities are derecognised. Interest relating to interest bearing loans and borrowings is expensed in the year in which it incurs except those which qualify for capitalisation.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Qtel International Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4 FINANCE COSTS

	31 December 2010 USD	8 May to 31 December 2009 USD
Interest expenses	130,628,472	58,750,000
Amortised finance costs	3,835,456	1,723,888
	<u>134,463,928</u>	<u>60,473,888</u>

5 INTEREST BEARING LOAN TO PARENT COMPANY

	2010 USD	2009 QR
Loans face value (Notes)	4,250,000,000	1,500,000,000
Less: Deferred financing costs	(51,899,735)	(23,551,929)
Net amount transferred	<u>4,198,100,265</u>	<u>1,476,448,071</u>

Notes:

Facility A

- (i) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 10 June 2009 amounting to USD 900,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 6.5% per annum and is repayable in full on 10 June 2014.

Facility B

- (ii) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 10 June 2009 amounting to USD 600,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 7.875% per annum and is repayable in full on 10 June 2019.

Facility C

- (iii) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 14 October 2010 amounting to USD 1,000,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 3.375% per annum and is repayable in full on 14 October 2016.

Facility D

- (iv) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 14 October 2010 amounting to USD 1,000,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 4.750% per annum and is repayable in full on 16 February 2021.

Qtel International Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

5 INTEREST BEARING LOAN TO PARENT COMPANY (continued)

Notes (continued):

Facility E

- (v) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 19 October 2010 amounting to USD 750,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 5.000% per annum and is repayable in full on 19 October 2025.

6 SHARE CAPITAL

The authorised and issued share capital of the Company is USD 100 divided into 100 shares of par value USD 1 each.

7 INTEREST BEARING BORROWINGS

	<i>2010</i> <i>USD</i>	<i>2009</i> <i>QR</i>
Global medium term note programme	4,250,000,000	1,500,000,000
Less: Deferred financing costs	(51,899,735)	(23,551,929)
	<u>4,198,100,265</u>	<u>1,476,448,071</u>

US Dollar 5,000,000,000 Global Medium Term Note Programme:

On 27 May 2010, the Company established a US Dollar 5,000,000,000 Global Medium Term Note Programme ("Notes") and officially listed on the London Stock Exchange, which is unconditionally and irrevocably guaranteed by the parent company. The Notes can be issued in any number of series, but the maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme should not exceed US Dollar 5,000,000,000. Subsequent to listing, the Company issued two series of Notes and received the proceeds of the Notes on 10 June 2009. These Notes have a total face value of US Dollar 1,500,000,000 and carry interest at fixed rates. The two series are:

- First series Notes amounting to US Dollar 900,000,000 which bear interest at fixed coupon rate of 6.5% per annum starting from 10 June 2009. These Notes will mature on 10 June 2014.
- Second series Notes amounting to US Dollar 600,000,000 which bears interest at fixed coupon rate of 7.875% per annum starting from 10 June 2009. These Notes will mature on 10 June 2019.

An update of the US Dollar 5,000,000,000 Notes was completed and dated 5 October 2010. Subsequently, the Company issued three additional series of Notes. These Notes have a total face value of US\$ 2,750,000,000 and carry fixed interest rates. The three series are:

- Third series Notes amounting to US Dollar 1,000,000,000 which bears interest at fixed coupon rate of 3.375% per annum starting from 14 October 2010. These Notes will mature on 14 October 2016.
- Fourth series Notes amounting to US Dollar 1,000,000,000 which bears interest at fixed coupon rate of 4.750% per annum starting from 14 October 2010. These Notes will mature on 16 February 2021.
- Fifth series Notes amounting to US Dollar 750,000,000 which bears interest at fixed coupon rate of 5.000% per annum starting from 19 October 2010. These Notes will mature on 19 October 2025.

Qtel International Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

8 RELATED PARTY DISCLOSURES

Related parties represent the parent company, the shareholder, associated companies and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Related party transactions

Transactions with related parties included in the statement of comprehensive income are as follows:

	<i>31December 2010 USD</i>	<i>8 May to 31December 2009 USD</i>
Finance income	<u>134,463,928</u>	<u>60,473,888</u>

Related party balance

	<i>2010 USD</i>	<i>2009 QR</i>
Amounts due from parent company	<u>30,987,947</u>	<u>5,875,100</u>

The ultimate parent company

The Company's ultimate parent is Qatar Telecom Q.S.C. ("Qtel").

9 FINANCIAL RISK MANAGEMENT

Objective and policies

The Company's principal financial liabilities comprise interest bearing borrowings and interest payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's financial asset comprises of interest bearing loan to parent company and amounts due from parent company.

The main risks arising from the Company's financial instruments are market risk and liquidity risk. Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Company's income or the value of its holdings of financial instruments. The management reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's financial assets and liabilities with floating interest rates. The Company does not have floating rate interest bearing financial liabilities and the financial assets that are subject to interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Company is not exposed to foreign currency risk as the Company's assets and liabilities are not denominated in foreign currencies at 31 December 2010.

Qtel International Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

9 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring that the parent company's fundings are available.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments.

	<i>Within one year USD</i>	<i>1 to 5 years USD</i>	<i>> 5 years USD</i>	<i>Total USD</i>
Year ended 31 December 2010				
Interest bearing borrowings	224,500,000	1,865,781,250	3,991,437,500	6,081,718,750
Interest payable	30,987,847	-	-	30,987,847
Total	255,487,847	1,865,781,250	3,991,437,500	6,112,706,597
	<i>Within one year USD</i>	<i>1 to 5 years USD</i>	<i>> 5 years USD</i>	<i>Total USD</i>
Year ended 31 December 2009				
Interest bearing borrowings	99,875,000	1,293,750,000	812,625,000	2,206,250,000
Interest payable	5,875,000	-	-	5,875,000
Total	105,750,000	1,293,750,000	812,625,000	2,212,125,000

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions and shareholders' expectation. To maintain or adjust the capital structure, the Company may increase capital. Capital comprises shareholders' equity and is measured at USD 100 on 31 December 2010 (2009: USD 100).

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of interest bearing loan to parent company and amounts due from parent company. Financial liabilities consist of interest bearing borrowings and interest payable.

The fair values of financial instruments are not materially different from their carrying values.

Qtel International Finance Limited

FINANCIAL STATEMENTS

31 December 2009



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF QTEL INTERNATIONAL FINANCE LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Qtel International Finance Limited (the "Company"), which comprise the statement of financial position as at 31 December 2009, and the related statement of comprehensive income, statement of cash flows and statement of changes in equity for the period from 8 May to 31 December 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, proper books of account have been kept by the Company in accordance with the provisions of the section 90 of the Bermuda Companies Act and the Articles of Association. We obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the section 90 of the Bermuda Companies Act or of the Articles of Association of the Company have occurred during the year ended 31 December 2009 which would have had a material effect on the business of the Company or on its financial position.

Firas Qoussous
Of Ernst & Young
Auditor's Registration No. 236

Date: 3 March 2010
Doha



A member firm of Ernst & Young Global Limited

Qtel International Finance Limited

STATEMENT OF COMPREHENSIVE INCOME

For the period from 8 May to 31 December 2009

	<u>Note</u>	<u>8 May to 31 December 2009</u> USD
Finance income		60,473,888
Finance costs	4	<u>(60,473,888)</u>
PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD		<u>—</u>

The attached notes 1 to 10 form part of these interim financial statements

Qtel International Finance Limited**STATEMENT OF FINANCIAL POSITION****At 31 December 2009**

	<u>Notes</u>	<u>2009</u> <u>USD</u>
ASSETS		
Non-current asset		
Interest bearing loan to parent company	5	<u>1,476,448,071</u>
Current asset		
Amounts due from parent company	8	<u>5,875,100</u>
TOTAL ASSETS		<u><u>1,482,323,171</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	6	<u>100</u>
Total equity		<u>100</u>
Non-current liability		
Interest bearing borrowings	7	<u>1,476,448,071</u>
Current liability		
Interest payable and accrued expenses		<u>5,875,000</u>
Total liabilities		<u>1,482,323,071</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,482,323,171</u></u>



Dr. Nasser Marafih
Chairman of the Board



Ajay Bahri
Member of the Board

The attached notes 1 to 10 form part of these interim financial statements

Qtel International Finance Limited

STATEMENT OF CHANGES IN EQUITY

For the period from 8 May to 31 December 2009

	Share capital	Total
	USD	USD
Contribution	<u>100</u>	<u>100</u>
Balance at 31 December 2009	<u>100</u>	<u>100</u>

The attached notes 1 to 10 form part of these interim financial statements

Qtel International Finance Limited**STATEMENT OF CASH FLOWS****For the period from 8 May to 31 December 2009**

	8 May to 31 December 2009
	USD
OPERATING ACTIVITIES	
Profit (Loss) for the period	—
Adjustments for:	
Finance expense	60,473,888
Finance income	(60,473,888)
Operating loss before working capital changes	—
Interest payable and accrued expenses	5,875,000
Amount due from parent company	(5,875,100)
Net cash used in operating activities	(100)
INVESTING ACTIVITY	
Interest bearing loan to parent company	1,476,448,071
Net cash used in investing activity	(1,476,448,071)
FINANCING ACTIVITIES	
Contribution	100
Net movement in interest bearing borrowings	1,476,448,071
Net cash from financing activities	1,476,448,171
NET MOVEMENT IN BANK BALANCES AND CASH	—
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	—

The attached notes 1 to 10 form part of these interim financial statements

NOTES TO THE INTERIM FINANCIAL STATEMENTS

At 31 December 2009

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qtel International Finance Limited (the “company”) is registered as an exempt company with limited liability. The company was incorporated in Bermuda under the Companies Act 1981 on 8 May 2009. The Company’s registration number is 43194, and its registered office at Canon’s court, 22 Victoria Street, Hamilton HM 12.

The Company is fully owned subsidiary of Qatar Telecom Q.S.C (Qtel) (“the parent company”), a Qatari Shareholding Company listed on the Qatar Stock Exchange.

The purpose of Qtel International Finance Limited is to raise notes and capital for the parent company’s financing requirements.

The financial statements were authorised for issue by the Chairman on 3 March 2010.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards and with the provisions of the section 90 of the Bermuda Companies Act.

The financial statements are presented in US Dollars, which is the Company’s functional and presentation currency.

The financial statements are prepared under the historical cost convention.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New and amended standards and interpretations issued as 31 December 2009, but not applied

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the date of these financial statements. The management has set out below only those which shall be considered in future periods and also believes that the adoption of these new and amended standards may not have any material impact on the future periods financial statements.

- Improvements to IFRSs (April 2009) (Applicable to 31 December 2010 year end)
- IFRIC 17 Distribution on Non-Cash Assets to Owners (Applicable to 31 December 2010 year end)
- IFRS 9 Financial Instruments (Applicable subsequent to 31 December 2010 year end)
- IAS 24 Related Party Disclosures (Revised) (Applicable Subsequent to 31 December 2010 year end)

3.2 Significant accounting policies

Finance income

Finance income is recognised using the effective interest method.

Accounts receivable

Accounts receivables are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method, with any differences between the cost and final

settlement values being recognized in the statement of comprehensive income over the period of borrowings. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the statement of comprehensive income when the liabilities are derecognised. Interest relating to interest bearing loans and borrowings is expensed in the year in which it incurs except those which qualify for capitalisation.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Fair values

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

NOTES TO THE INTERIM FINANCIAL STATEMENTS**At 31 December 2009 — (Continued)****4 FINANCE COST**

	8 May to 31 December 2009
	USD
Interest expenses	58,750,000
Amortised finance cost	<u>1,723,888</u>
	<u>60,473,888</u>

5 INTEREST BEARING LOAN TO PARENT COMPANY

	2009
	USD
Loans face value (Notes (i) & (ii))	1,500,000,000
Less: Deferred financing costs	<u>(23,551,929)</u>
Net amount transferred	<u>1,476,448,071</u>

*Notes:**Facility A*

- (i) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 10 June 2009 amounting to USD 900,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 6.5% per annum and is repayable in full on 10 June 2014.

Facility B

- (ii) The Company issued a loan to Qatar Telecom (Qtel) Q.S.C. on 10 June 2009 amounting to USD 600,000,000 to finance its general corporate purposes, including, amongst other thing, refinancing existing indebtedness. The loan carries an interest rate of 7.875% per annum and is repayable in full on 10 June 2019.

6 SHARE CAPITAL

The authorised and issued share capital of the Company is USD 100 divided into 100 shares of par value USD 1 each.

7 INTEREST BEARING BORROWINGS

	2009
	USD
Global medium term note programme	1,500,000,000
Less: Deferred financing costs	<u>(23,551,929)</u>
	<u>1,476,448,071</u>

US Dollar 5,000,000,000 Global Medium Term Note Programme;

On 27 May 2009, the Company established a US Dollar 5,000,000,000 Global Medium Term Note Programme (“Notes”) and officially listed on the London Stock Exchange, which is unconditionally and irrevocably guaranteed by the parent company. The Notes can be issued in any number of series, but the maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme should not exceed US Dollar 5,000,000,000. Subsequent to listing, the Company issued two series of Notes and received the proceeds of the Notes on 10 June 2009. These Notes have a total face value of US Dollar 1,500,000,000 and carry interest at fixed rates. The two series are:

- First series Notes amounting to US Dollar 900,000,000 which bear interest at fixed coupon rate of 6.5% per annum starting from 10 June 2009. These Notes will mature on 10 June 2014.
- Second series Notes amounting to US Dollar 600,000,000 which bears interest at fixed coupon rate of 7.875% per annum starting from 10 June 2009. These Notes will mature on 10 June 2019.

8 RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Related party transactions

Transactions with related parties included in the statement of comprehensive income are as follows:

	8 May to 31 December 2009
	USD
Finance income	<u>60,473,888</u>

Related party balance

	2009
	USD
Amounts due from parent company	<u>5,875,100</u>

The ultimate parent company

The Company's ultimate parent is Qatar Telecom Q.S.C. ("Qtel").

9 FINANCIAL RISK MANAGEMENT***Objective and policies***

The Company's principal financial liabilities comprise interest bearing borrowings and accounts payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's financial asset comprises of loan to parent company and amounts due from parent company.

The main risks arising from the Company's financial instruments are market risk and liquidity risk. Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Company's income or the value of its holdings of financial instruments. The management reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's financial assets and liabilities with floating interest rates. The Company does not have floating rate interest bearing financial liabilities and the financial assets that are subject to interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Company is not exposed to foreign currency risk as the Company's assets and liabilities are not denominated in foreign currencies at 31 December 2009.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

NOTES TO THE INTERIM FINANCIAL STATEMENTS**At 31 December 2009 — (Continued)**

The Company limits its liquidity risk by ensuring that the parent company's fundings are available.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2009 based on contractual undiscounted payments.

	Within one year USD	1 to 5 years USD	> 5 years USD	Total USD
<i>Year ended 31 December 2009</i>				
Interest bearing borrowings	99,875,000	1,293,750,000	812,625,000	2,206,250,000
Interest payable and accrued expense	5,875,000	—	—	5,875,000
Total	<u>105,750,000</u>	<u>1,293,750,000</u>	<u>812,625,000</u>	<u>2,212,125,000</u>

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions and shareholders' expectation. To maintain or adjust the capital structure, the Company may increase capital. Capital comprises shareholders' equity and is measured at USD 100 on 31 December 2009.

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of loan to parent company and amounts due from parent company. Financial liabilities consist of interest bearing borrowings.

The fair values of financial instruments are not materially different from their carrying values.

QATAR TELECOM (QTEL) Q.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2011

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2011

CONTENTS	Page (s)
Independent auditors' audit report	1 - 2
Consolidated financial statements	
Consolidated income statement	3
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5 - 6
Consolidated statement of cash flows	7 - 8
Consolidated statement of changes in equity	9 - 10
Notes to the consolidated financial statements	11 - 88



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Independent auditors' report

To
The shareholders
Qatar Telecom (Qtel) Q.S.C.
Doha
State of Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Telecom (Qtel) Q.S.C. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Director's responsibility for the consolidated financial statements

Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



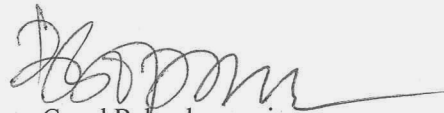
Other matters

The consolidated financial statements of the Group as at and for the year ended 31 December 2010 were audited by another auditor whose report dated 1 March 2011 expressed an unqualified audit opinion.

Report on other legal requirements

We have obtained all the information and explanation which we considered necessary for the purpose of our audit. The Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. A physical count of inventory has been conducted in accordance with the established principles. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained thereon is consistent with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as of 31 December 2011.

04 March 2012
Doha
State of Qatar



Gopal Balasubramaniam
KPMG
Qatar Auditors Registration No. 251

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	<i>Note</i>	2011 QR'000	2010 QR'000
Revenue	5	31,765,346	27,376,582
Operating expenses	6	(9,958,384)	(8,734,647)
Selling, general and administrative expenses	7	(6,959,147)	(6,047,570)
Depreciation and amortisation	8	(7,014,704)	(6,317,416)
Finance costs (net)	9	(1,902,315)	(1,804,387)
Impairment of intangibles and available-for-sale investments	17, 39	(221,516)	(46,250)
Gain on previously held interest in an acquired subsidiary	4.1	1,442,831	-
Other income (expenses) – net	10	71,196	657,611
Share of results of associates	16	(56,879)	(129,636)
Royalties and fees	11	(312,238)	(320,815)
Net profit before income taxes		6,854,190	4,633,472
Income tax	19	(910,996)	(545,550)
Net profit for the year		5,943,194	4,087,922
Attributable to:			
Shareholders of the Parent		2,605,550	2,887,843
Non-controlling interests		3,337,644	1,200,079
		5,943,194	4,087,922
Basic and diluted earnings per share	12	14.80	16.41
(Attributable to shareholders of the Parent)			
(Expressed in QR per share)			

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	<i>Note</i>	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Net profit for the year		5,943,194	4,087,922
Other comprehensive income			
Net changes in fair value of available-for-sale investments	25	285,169	248,995
Effective portion of changes in fair value of cash flow hedges	25	343,412	3,748
Exchange differences on translation of foreign operations	25	(415,069)	1,053,835
Share of other comprehensive (expense) / income of associates	25	(2,099)	1,473
Other comprehensive income for the year		211,413	1,308,051
Total comprehensive income for the year		6,154,607	5,395,973
Attributable to:			
Shareholders of the Parent		3,034,048	3,948,758
Non-controlling interests		3,120,559	1,447,215
Total comprehensive income for the year		6,154,607	5,395,973

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Note</i>	<i>2011 QR'000</i>	<i>2010 QR'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	13	33,065,098	32,172,984
Intangible assets	14	36,741,077	33,279,183
Investment in associates	16	1,591,341	2,126,315
Available-for-sale investments	17	2,189,939	1,862,006
Other non-current assets	18	910,238	967,889
Deferred tax asset	19	286,776	357,998
Total non-current assets		74,784,469	70,766,375
Current assets			
Inventories	20	342,550	316,584
Accounts receivable and prepayments	21	5,817,075	4,739,950
Bank balances and cash	22	21,249,832	25,575,667
Total current assets		27,409,457	30,632,201
TOTAL ASSETS		102,193,926	101,398,576
EQUITY			
Share capital	23	1,760,000	1,466,667
Legal reserve	24 (a)	6,494,137	6,494,137
Fair value reserve	24 (b)	672,843	49,996
Translation reserve	24 (c)	1,586,124	1,780,473
Other statutory reserves	24 (d)	706,036	404,580
Retained earnings		9,836,707	8,834,207
Attributable to shareholders of the Parent		21,055,847	19,030,060
Non-controlling interests		18,336,947	15,196,832
Total equity		39,392,794	34,226,892

Continued.....

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2011

	Note	2011 QR'000	2010 QR'000
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	26	31,932,297	43,742,821
Employees benefits	27	801,162	913,325
Deferred tax liability	19	1,637,849	1,631,787
Other non-current liabilities	28	1,325,285	3,185,399
Total non-current liabilities		35,696,593	49,473,332
Current liabilities			
Interest bearing loans and borrowings	26	13,850,738	2,518,853
Accounts payable and accruals	29	11,217,810	10,475,638
Current account with State of Qatar		-	2,891,194
Deferred income		1,610,770	1,351,216
Income tax payable		425,221	461,451
Total current liabilities		27,104,539	17,698,352
Total liabilities		62,801,132	67,171,684
TOTAL EQUITY AND LIABILITIES		102,193,926	101,398,576

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

.....
Ali Shareef Al-Emadi
Deputy Chairman

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS Year ended 31 December 2011

	Note	2011 QR'000	2010 QR'000
OPERATING ACTIVITIES			
Net profit before income taxes		6,854,190	4,633,472
Adjustments for:			
Depreciation and amortisation	8	7,014,704	6,317,416
Dividend income	10	(41,798)	(25,767)
Impairment of intangibles and available-for-sale investments		221,516	46,250
Profit on disposal of available-for-sale investments	10	(1,568)	(40,516)
Profit on disposal of property, plant and equipment	10	(26,520)	(26,024)
Gain on previously held interest in an acquired subsidiary	4.1	(1,442,831)	-
Finance costs (net)		1,902,315	1,804,387
Provision for employees' end of service benefits	27	1,476	153,232
Share of results of associates	16	56,879	129,636
Operating profit before working capital changes		14,538,363	12,992,086
Working capital changes:			
Changes in inventories		(22,248)	(62,053)
Changes in accounts receivables and prepayments		(842,061)	(540,251)
Changes in accounts payables and accruals		(2,529,477)	595,465
Cash from operations		11,144,577	12,985,247
Finance costs paid		(2,315,711)	(2,326,968)
Employees benefits paid	27	(55,670)	(13,277)
Income tax paid		(836,044)	(449,599)
Net cash from operating activities		7,937,152	10,195,403
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(6,574,857)	(6,941,775)
Purchase of intangible assets	14	(302,713)	(193,843)
Net cash outflows from acquisition of a subsidiary	4	(2,289,568)	-
Additional investment in associates		(27,000)	(156,001)
Purchase of available-for-sale investments		(160,144)	(19,866)
Proceeds from disposal of property, plant and equipment		386,615	564,544
Proceeds from disposal of available-for-sale investments		92,288	138,203
Movement in other non-current assets		82,649	71,973
Movement in restricted deposits		(182,907)	4,268
Dividend and interest received		696,447	587,972
Net cash used in investing activities		(8,279,190)	(5,944,525)

Continued.....

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2011

	<i>Note</i>	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		2,505,638	21,298,543
Repayment of interest bearing loans and borrowings		(3,742,308)	(10,698,669)
Acquisition of non-controlling interest		(39,587)	(4,948)
Proceeds from changes in ownership interest		-	624,777
Capital contribution by non-controlling interest		-	246,158
Additions to deferred financing costs	26	(24,096)	(335,870)
Funds received from an associate		280,762	-
Dividends paid to shareholders of the parent		(733,333)	(462,000)
Dividend paid to non-controlling interests		(321,881)	(254,869)
Movement in non-controlling interests		7,031	(6,982)
Movement in other non-current liabilities		(1,872,341)	(398,345)
Net cash (used in) / from financing activities		(3,940,115)	10,007,795
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(4,282,153)	14,258,673
Net foreign exchange differences		(224,879)	(187,076)
Cash and cash equivalents at 1 January		25,557,920	11,486,323
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	21,050,888	25,557,920

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to shareholders of the Parent						
	Share capital	Legal reserve	Fair value reserve	Translation reserve	Other statutory reserves	Retained earnings	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
At 1 January 2011	1,466,667	6,494,137	49,996	1,780,473	404,580	8,834,207	19,030,060
Profit for the year	-	-	-	-	-	2,605,550	2,605,550
Other comprehensive income	-	-	622,847	(194,349)	-	-	428,498
Total comprehensive income for the year	-	-	622,847	(194,349)	-	2,605,550	3,034,048
Transactions with shareholders of the Parent, recognised directly in equity							
Dividends for 2010 (Note 30)	-	-	-	-	-	(733,333)	(733,333)
Bonus shares issued	293,333	-	-	-	-	(293,333)	-
Transfer to other statutory reserves	-	-	-	-	301,456	(301,456)	-
Transactions with non-controlling interest, recognised directly in equity							
Recognition of non-controlling interests' share of net assets (Note 4.1)	-	-	-	-	-	-	-
Net acquisition of ownership interests in subsidiaries (Note 4.2)	-	-	-	-	-	-	-
Acquisition of non-controlling interests – share of associates (Note 4.3)	-	-	-	-	-	(208,627)	(208,627)
Conversion of non-controlling interests to interest bearing loans and borrowings (Note 4.4)	-	-	-	-	-	-	-
Dividends from subsidiaries	-	-	-	-	-	(573,537)	(573,537)
Other movements	-	-	-	-	-	(321,881)	(321,881)
						7,031	7,031
Transactions with non-owners of the Group							
Transfer to social and sports fund (Note 41)	-	-	-	-	-	(32,313)	(32,313)
At 31 December 2011	1,760,000	6,494,137	672,843	1,586,124	706,036	9,836,707	21,055,847
						18,336,947	39,392,794

Continued...

The attached notes 1 to 43 form part of these consolidated financial statements

Year ended 31 December 2011

The attached notes 1 to 43 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Public Telecommunications Corporation (the “Corporation”) was formed on 29 June 1987 domiciled in the State of Qatar by Law No. 13 of 1987 to provide domestic and international telecommunication services within the State of Qatar. The Company’s registered office is located at 100 Westbay Tower, Doha, State of Qatar.

The Corporation was transformed into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. (the “Company”) on 25 November 1998, pursuant to Law No. 21 of 1998.

Qatar Telecom (Qtel) is the telecommunications service provider licensed by the Supreme Council of Information and Communication Technology (ictQATAR) to provide both fixed and mobile telecommunications services in the state of Qatar. As a licensed service provider, the conduct and activities of Qtel are regulated by ictQATAR pursuant to Law No. 34 of 2006 (Telecommunications Law) and the Applicable Regulatory Framework.

The Company and its subsidiaries (together referred to as the “Group”) provides domestic and international telecommunication services in Qatar and elsewhere in the Asia and MENA region.

The consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 4 March 2012.

2 BASIS OF PREPARATION**a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following:

- Financial instruments at fair value through income statement are measured at fair value.
- Available-for-sale investments are measured at fair value.
- Derivative financial instruments are measured at fair value.

The methods used to measure fair values are discussed further in Note 36.

c) Functional and presentation currency

The consolidated financial statements are presented in Qatari Riyals, which is the Company’s functional and presentation currency, rounded off to the nearest thousand (QR’000) except where otherwise indicated.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES**3.1 BASIS OF CONSOLIDATION*****Basis of consolidation***

The consolidated financial statements comprise the financial statements of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries (together referred to as the “Group”). These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

(a) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. In addition, control may exist without having 50% voting power through ownership or agreements, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) Non controlling interests

Non-controlling interests (previously referred to as minority interests) in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest’s share of changes in equity since the date of the combination.

(c) Business combinations and goodwill***Business combinations from 1 January 2010***

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (continued)**

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (continued)****(d) Loss of control**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. On loss of control over a subsidiary, the Group:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in consolidated income statement; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(e) Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Qatari riyals at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Qatari Riyals at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated income statement.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

The principal subsidiaries of the Group, incorporated in the consolidated financial statements of Qatar Telecom (Qtel) Q.S.C are as follows:

<i>Name of subsidiaries</i>	<i>Country of incorporation</i>	<i>Group effective shareholding percentage</i>	
		<i>31 December 2011</i>	<i>31 December 2010</i>
Qtel Investment Holdings S.P.C	Bahrain	100%	100%
Qtel International Investments L.L.C.	Qatar	100%	100%
Qtel International L.L.C.	Qatar	100%	100%
Qtel South East Asia Holding S.P.C ("QSEAH")	Bahrain	100%	100%
Qtel West Bay Holding S.P.C	Bahrain	100%	100%
Qatar Telecom (Asia) Pte. Ltd. ("QTA")	Singapore	100%	100%
Qtel Al Dafna Holding S.P.C ("QDH")	Bahrain	100%	100%
Qtel Al Khore Holding S.P.C ("QKH")	Bahrain	100%	100%
IP Holdings Limited (formerly known as Qtel Gulf Holdings Limited)	Cayman Islands	100%	100%
Qtel Gharafa Holdings Limited	Cayman Islands	100%	100%
wi-tribe Asia Limited ("WiTA")	Cayman Islands	100%	100%

Continued....

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (continued)

<i>Name of subsidiaries</i>	<i>Country of incorporation</i>	<i>Group effective shareholding percentage</i>	
		<i>31 December 2011</i>	<i>31 December 2010</i>
World Trade Glory Ltd	British Virgin Islands	100%	100%
JRAA – JHI Group	Philippines	100%	100%
Qatar Telecom (Qtel Asia) Pte. Ltd. (“QA”)	Singapore	100%	100%
Indonesia Communications Limited (“ICLM”)	Republic of Mauritius	100%	100%
QTEL International Finance Limited	Bermuda	100%	100%
Qtel MENA Investcom S.P.C. (“MENA”) (formerly known as TDC-Qtel MENA Investcom B.S.C.)	Bahrain	100%	100%
Qtel Malta Holding Company Ltd.	Malta	100%	100%
Omani Qatari Telecommunications Company S.A.O.G. (“NAWRAS”)	Sultanate of Oman	55.0%	55.0%
Starlink W.L.L.	Qatar	60.0%	60.0%
National Mobile Telecommunications Company K.S.C. (“Wataniya Telecom”)	Kuwait	52.5%	52.5%
Wataniya International FZ – L.L.C. (WTI)	United Arab Emirates	52.5%	52.5%
Al-Bahar United Company W.L.L. (Fono)	Kuwait	52.5%	52.5%
Al Wataniya Gulf Telecommunications Holding Company S.P.C (“WIH”)	Bahrain	52.5%	52.5%
Al-Wataniya International for Intellectual Properties S.P.C (formerly known as Al-Wataniya International for Intellectual Properties B.S.C)	Bahrain	52.5%	52.5%
Wataniya Telecom Maldives Pvt Ltd (WTM)	Republic of Maldives	52.5%	52.5%
WARF Telecom International Private Limited (WARF) (i)	Republic of Maldives	34.1%	34.1%
Wataniya Telecom Algerie S.P.A. (WTA) (i)	Algeria	46.3%	46.3%
Guney Telekomunikasyon Hizmetleri A.S (i).	Turkey	46.2%	46.2%
Carthage Consortium Ltd.	Malta	52.5%	-
Qtel Tunisia Holding Company Ltd	Malta	52.5%	-
Tunisiana S.A (i)	Tunisia	39.4%	-
Tunisia Network S.A (i)	Tunisia	36.8%	-
Public Telecommunication Company Ltd. (PTC) (i)	Saudi Arabia	29.2%	29.2%
Wataniya Palestine Mobile Telecommunications Public Shareholding Company (i)	Palestine	25.4%	25.4%
Raywood Inc. (Raywood) (ii)	Cayman Islands	61.2%	61.2%
Al-Rowad General Services Limited (AL Rowad) (ii)	Iraq	61.2%	61.2%
Asiacell Communications PJSC (formerly known as Asiacell Communications L.L.C.) (“ACL, Iraq”) (ii)	Iraq	30.0%	30.0%
wi-tribe Limited (“WiT”)	Cayman Islands	86.1%	86.1%
wi-tribe Limited – Jordan P.S.C.	Jordan	86.1%	86.1%
wi-tribe Pakistan Limited	Pakistan	86.1%	86.1%
PT. Indosat Tbk	Indonesia	65.0%	65.0%
Indosat Finance Company B.V. (“IFB”)	Netherlands	65.0%	65.0%
Indosat International Finance Company B.V. (“IIFB”)	Netherlands	65.0%	65.0%
Indosat Singapore Pte. Ltd. (“ISP”)	Singapore	65.0%	65.0%
PT Indosat Mega Media (“IMM”)	Indonesia	64.9%	64.9%
PT Starone Mitra Telekomunikasi (“SMT”) (iii)	Indonesia	47.2%	47.2%
PT Aplikasi Lintasarta (“Lintasarta”) (iii)	Indonesia	47.0%	47.0%
PT Artajasa Pembayaran Elektronik (“APE”) (iii)	Indonesia	25.9%	25.9%
Indosat Palapa Company B.V. (“IPBV”)	Netherlands	65.0%	65.0%
Indosat Mentari Company B.V. (“IMBV”)	Netherlands	65.0%	65.0%
PT Lintas Media Danawa (“LMD”) (iii)	Indonesia	32.9%	32.9%
PT Interactive Vision Media (“IVM”)	Indonesia	64.9%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (continued)***Notes:*

- (i) The Group has the power, indirectly through Wataniya Telecom by virtue of Wataniya Telecom having more than 51% of the voting interests in these companies, to govern the financial and operating policies of WARF Telecom International Private Limited (WARF), Wataniya Telecom Algeria S.P.A. (WTA), Guney Telekomunikasyon Hizmetleri A.S. Tunisiana S.A, Tunisia Network S.A, Public Telecommunication Company Ltd. (PTC), Wataniya Palestine Mobile Telecommunications Public Shareholding Company, and accordingly, these companies have been considered as subsidiaries of the Group.
- (ii) The Group incorporated Raywood Inc ("Raywood"), a special purpose entity registered in Cayman Islands with 61.2% voting interest held by the Group to carry out investment activities in Iraq. Raywood established Al-Rowad General Services Limited ("AL Rowad") in Iraq as a wholly owned subsidiary to acquire 49% voting interests in Asia Cell Communications L.L.C. ("ACL, Iraq"), a company with license to provide telecommunication services in Iraq. The Group has the power to govern the financial and operating policies of ACL, Iraq by virtue of the shareholders' agreements entered into between Raywood, AL Rowad and ACL, Iraq to appoint a majority (4 out of 7) of Board of Directors through Raywood and, accordingly ACL, Iraq is considered as a subsidiary of the Group.
- (iii) The Group has the power, indirectly through PT Indosat Tbk ("Indosat ") by virtue of Indosat having more than 51% of the voting interest or control in these companies, to govern the financial and operating policies of PT Starone Mitra Telekomunikasi ("SMT"), PT Aplikasi Lintasarta ("Lintasarta"), PT Artajasa Pembayaran Elektronik ("APE") and PT Lintas Media Danawa ("LMD") and accordingly, these companies have been considered as subsidiaries of the Group.

f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The following standards, amendments and interpretations, which became effective 1 January 2011, are relevant to the Group:

<i>Standard/ Interpretation</i>	<i>Content</i>
IAS 24(Revised)	Related party disclosures
IAS 32 (amendment)	Classification of Rights Issues
IFRIC 14 (amendment)	Prepayments of a Minimum Funding Requirement
IFRIC 19 (amendment)	Extinguishing Financial Liabilities with Equity
Improvements to IFRS's (2010)	Issued in May 2010

a) IAS 24 (Revised) 'Related party disclosures'

The revised standard was issued in November 2009. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any significant impact on the related party disclosure of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)****b) IAS 32 (amendment) ‘Classification of Rights Issues’**

The IASB amended IAS 32 Financial Instruments: Presentation to allow rights, options or warrants to acquire a fixed number of the entity’s own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment to IAS 32 did not have any significant impact on the consolidated financial statements of the Group.

c) IFRIC 14 (amendment) – Prepayments of a Minimum Funding Requirement

The amendment to IFRIC 14 removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement (MFR). The amendment results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. As required, the amendment has been applied retrospectively. The application of IFRIC 14 has no significant impact on the consolidated financial statements of the Group.

d) IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the issues in respect of the accounting by the debtor in a debt for equity swap transaction. An entity should measure equity instruments issued to a creditor to extinguish all or part of a financial liability at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The equity instruments are initially measured when the financial liability (or part of that liability) is extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of the equity instruments issued should be recognised in profit or loss. The application of IFRIC 19 has no significant impact on the consolidated financial statements of the Group.

e) Improvements to IFRSs (2010)

Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. ‘Improvements to IFRS’ comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. There were no significant changes to the current accounting policies of the Group as a result of these amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE**

The following standards and interpretations have been issued and are expected to be relevant to the Group in future periods, with effective dates on or after 1 January 2012:

<i>Standard/ Interpretation</i>	<i>Content</i>	<i>Effective date</i>
IAS 1 (amendment)	Presentation of items of other comprehensive income	1 July 2012
IAS 19	Employee benefits'	1 January 2013
IAS 28	Investment in Associates and Joint Ventures	1 January 2013
IFRS 7 (amendment)	Disclosures: Transfer of financial assets	1 July 2011
IFRS 9	Financial Instruments	1 January 2015
IFRS 10 & IAS 27	Consolidated financial statements and Separate Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair Value measurement	1 January 2013

a) IAS 1 (amendment) - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application. The application of this amendment has no significant impact on the consolidated financial statements of the Group.

b) IAS 19 (2011) - Employee benefits

The amended IAS 19 includes the following requirements:

- actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and
- expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

The amended standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

c) IAS 28 (2011) – Investment in Associates and Joint ventures

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) has been amended to include:

- IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (Continued)****d) IFRS 7 (amendment) – Disclosures: Transfer of financial assets**

The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. The amendments are effective for annual periods beginning on or after 1 July 2011, but entities are not required to provide the disclosures for any period presented that begins before the date of initial application of the amendments. Early adoption is permitted.

e) IFRS 9 - Financial Instruments*Standard issued November 2009*

IFRS 9 (2009) 'Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

Standard issued October 2010

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and de-recognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives".

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. In its November 2011 meeting, the IASB tentatively decided to defer the mandatory effective date to 1 January 2015.

f) IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time. IFRS 10 is applied retrospectively when there is a change in the control conclusion between IAS 27/SIC-12 and IFRS 10. IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (Continued)****g) IFRS 11 – Joint Arrangements**

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures; and always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is all adopted at the same time.

h) IFRS 12 - Disclosures of interests in other entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.

The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite is adopted at the same time. Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

i) IFRS 13 - Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group. The Group did not early adopt any new or amended standards or interpretations in 2011.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Revenue**

Revenue represents the fair value of consideration received or receivable for communication services and equipment sales net of discounts and sales taxes. Revenue from rendering of services and sale of equipment is recognised when it is probable that the economic benefits associated with the transaction shall flow to the Group and the amount of revenue and the associated costs can be measured reliably.

The Group principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, connection fees, equipment sales and other related services.

The specific revenue recognition criteria applied to significant elements of revenue are set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Revenue from rendering of services:*

Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Revenue arising from separable installation and connection services are recognised when it is earned. Subscription fee is recognised as revenue as the services are provided.

Interconnection revenue:

Revenues from network interconnection with other domestic and international telecommunications carriers are recognised based on the actual recorded traffic minutes.

Sales of prepaid cards:

Sale of prepaid cards is recognised as revenue based on the actual utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship.

Sales of equipment:

Revenue from sales of peripheral and other equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer which is normally when the equipment is delivered and 'accepted by the customer.

Loyalty program:

The group has a customer loyalty programme whereby customers are awarded credits ("Points") based on the usage of products and services, entitling customers to the right to redeem the accumulated points via specified means. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of sale. The amount allocated to Points is estimated by reference to the fair value of the right to redeem it at a discount for the products of the Group or for products or services provided by third parties. The fair value of the right to redeem is estimated based on the amount of discount, adjusted to take into account the expected forfeiture rate. The amount allocated to Points is deferred and included in deferred revenue. Revenue is recognised when these Points are redeemed and the Group has fulfilled its obligations to the customer. The amount of revenue recognised in those circumstances is based on the number of Points that have been redeemed, relative to the total number of Points that is expected to be redeemed. Deferred revenue is also released to revenue when it is no longer considered probable that the Points will be redeemed.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor:

The amounts due from lessees under finance leases are recorded as receivables at the amount of Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of leases.

Revenues from the sale of transmission capacity on terrestrial and submarine cables are recognized on a straight-line basis over the life of the contract. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***The Group as lessee:*

Rentals payable under operating leases are charged to the consolidated income statement on a straight –line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Other income

Other income represents income generated by the Group that arises from activities outside of the provision for communication services and equipment sales. Key components of other income are recognised as follows:

Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

Rental income

Rental income is accounted for on a time proportion basis.

Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

Taxation

Some of the subsidiaries and the joint venture are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the financial reporting year.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the financial reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unutilised tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unutilised tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each end of the financial reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each end of the financial reporting year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the financial reporting year.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Property, plant and equipment*Recognition and measurement*

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self constructed assets include the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as incurred.

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of these assets commences from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. The estimated useful lives of the property, plant and equipment are as follows:

Land lease rights under finance lease	50 years
Buildings	5 – 20 years
Exchange and network assets	5 – 15 years
Subscriber apparatus and other equipment	1 – 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Government grants

Government grants relating to non-monetary assets are recognised at nominal value. Grants that compensate the Group for expenses are recognised in the consolidated income statement on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the consolidated income statement on a systematic basis over the expected useful life of the related asset upon capitalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the nature of the intangible asset.

Indefeasible rights of use ("IRU")

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

The useful lives of intangible assets are assessed to be either finite or indefinite.

A summary of the useful lives and amortisation methods of Group's intangible assets other than goodwill are as follows:

		<i>License costs</i>	<i>Customer contracts and related customer relationships</i>	<i>Brand/Trade names</i>	<i>Concession intangible assets</i>	<i>IRU, software and other intangibles</i>
Useful lives	:	Finite (10 – 50 years)	Finite (2 – 8 years)	Finite (6-25 years)	Finite (15 years)	Finite (3-15 years)
Amortisation method used	:	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability	Amortised on a straight line basis over the periods of availability	Amortised on a straight line basis over the periods of availability
Internally generated or acquired	:	Acquired	Acquired	Acquired	Acquired	Acquired

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Service concession arrangements**

The Group accounts for service concession arrangements where it is an operator in accordance with IFRIC 12 "Service concession arrangements". Infrastructure within the scope of this interpretation is not recognised as property, plant and equipment of the Group as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the Group. Accordingly, the Group recognises such assets as "Concession intangible assets". The Group recognises these intangible assets at cost in accordance with IAS 38. These intangible assets are amortised over the period in which it is expected to be available for use by the Group. The Group recognises contract revenue and costs in accordance with IAS 11, Construction Contracts. The costs of each activity, namely construction, operation and maintenance are recognised as expenses by reference to the stage of completion of the related activity. Contract revenue, if any, i.e. the fair value of the amount due from the grantor for the activity undertaken, is recognised at the same time. The amount due from the grantor meets the definition of a receivable in IAS 39 Financial Instruments: Recognition and Measurement. The receivable is measured initially at fair value. It is subsequently measured at amortised cost.

The Group accounts for revenue and costs relating to the services in accordance with IAS 18 as described in the accounting policy for revenue recognition. Borrowing costs attributable to the arrangement are recognised as an expense in the period in which they are incurred, unless the Group has a contractual right to receive an intangible asset (a right to charge user of the public service). If the Group has a contractual right to receive an intangible asset, borrowing costs attributable to the arrangement are capitalised during the construction phase of the arrangement.

Investment in associates

Associate companies are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments*****(i) Non-derivative financial assets:***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise bank balances and cash and accounts receivables and prepayments.

Bank balances and cash

Bank balances and cash comprise cash on hand, call deposits and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand, call deposits and demand deposits with original maturity of less than three months.

Accounts receivable and prepayments

Accounts receivables and prepayments that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less impairment.

Appropriate allowances for estimated irrecoverable amounts are recognized in the consolidated income statement where there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Available-for-sale investments***

Available-for-sale investments are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale investments are recognised initially at fair value plus directly attributable costs. After initial recognition, available for sale investments are subsequently remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of equity as fair value reserve under other comprehensive income until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the year. Interest earned on the investments is reported as interest income using the effective interest rate. Dividends earned on investments are recognised in the consolidated income statement as "Dividend income" when the right to receive dividend has been established. All regular way purchases and sales of investment are recognised on the trade date when the Group becomes or cease to be a party to contractual provisions of the instrument.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the financial reporting year. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. For investment in funds, fair value is determined by reference to net asset values provided by the fund administrators.

Due to the uncertain nature of cash flows arising from certain unquoted equity investments of the Group, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less any impairment losses.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. Impairment losses on equity instruments recognised in the consolidated income statement are not subsequently reversed. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement.

When the investment is disposed off, the cumulative gain or loss previously recorded in equity is recognised in the consolidated income statement.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment and uncollectibility of financial assets**

An assessment is made at each end of the reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If any such evidence exists, impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Non derivative financial liabilities include interest bearing loans and borrowings and accounts payable and accruals.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those qualify for capitalisation.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Group, whether billed by the supplier or not.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

(iii) Share capital*Ordinary shares*

Ordinary shares are classified as equity. The bonus shares issued during the year are shown as an addition to the share capital and deducted from the accumulated retained earnings of the Group.

Dividends on ordinary share capital

Dividend distributions to the Group's shareholders are recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****(iv) Derivative financial instruments and hedging***

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in described below for those derivative instruments designated for hedging cash flows, while changes in the fair value of derivative instruments not designated for cash flow hedges are charged directly to profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting change in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods of which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income and is taken directly to equity, while any ineffective portion is recognised immediately in the consolidated income statement.

The Group uses interest rate swap contracts to hedge its risk associated primarily with interest rate fluctuations relating to the interest charged on its interest bearing loans and borrowings. These are included in the consolidated statement of financial position at fair value and any resultant gain or loss on interest rate swaps contracts that qualify for hedge accounting is recognised as other comprehensive income and subsequently recognised in the consolidated income statement when the hedged transaction affects profit or loss.

The Group uses cross currency swap contracts and forward currency contracts to hedge its risks associated with foreign exchange rate fluctuations. Further, the Group also have an interest rate swap which is not designated as a hedge. These cross currency swaps, forward currency contracts and the interest rate swaps which is not designated as hedge are included in the consolidated statement of financial position at fair value and any subsequent resultant gain or loss in the fair value is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The fair value of cross currency swaps and forward currency contracts is calculated by reference to respective instrument current exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is calculated by reference to the market valuation of the swap contracts.

Embedded derivative is presented with the host contract on the consolidated statement of financial position which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined with reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include those expenses incurred in bringing each product to its present location and condition. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Provisions**

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured as a best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Employee benefits*End of service benefits:*

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

Pensions and other post employment benefits:

Pension costs under the Group's defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, expected return on plan assets and annual rate of increase in compensation. Actuarial gains or losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the present value of the defined benefit obligation or fair value of plan assets, whichever is greater, at that date. These gains or losses in excess of the 10% corridor are recognised on a straight-line basis over the expected average remaining working lives of the employees. Past service cost is recognised over the estimated average remaining service periods of the employees.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Cash settled share-based payment transactions

The Group provides long term incentives in the form of shadow shares ("the benefit") to its employees. The entitlement to these benefits is based on individual performance and overall performance of the Group, subject to fulfilling certain conditions ("vesting conditions") under documented plan and is payable upon end of the vesting period ("the exercise date"). The benefit is linked to the share price of the Group, and the Group proportionately recognise the liability against these benefits over the vesting period through the consolidated income statement, until the employees become unconditionally entitled to the benefit.

The fair value of the liability is reassessed on each reporting date and any changes in the fair value of the benefit are recognized through the consolidated income statement.

Once the benefit is settled in cash at the exercise date, the liability is derecognised. The amount of cash settlement is determined based on the share price of the Group at the exercise date. On breach of the vesting conditions, the liability is derecognised through the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Foreign currencies**

The Group's consolidated financial statements are presented in Qatari Riyals (QR), which is also the Parent Company's functional currency (the currency of the primary economic environment in which the Parent Company) operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the end of the financial reporting year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Events after the reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the consolidated statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS**4.1 Step acquisition of Tunisiana S.A. (formerly known as Orascom Telecom Tunisie S.A.) ("Tunisiana")**

On 4 January 2011 ("the acquisition date"), the Group acquired 25% additional shareholding interest in Tunisiana. As a result of the above, the Group's ownership and voting interests in Tunisiana, previously treated as a joint venture and accounted for under proportionate consolidation method, increased from 50% to 75%. Consequently, Tunisiana is fully consolidated within the Group's consolidated financial statements for the year ended 31 December 2011 starting from the date control has been obtained.

Moreover, the Group re-measured its previously held interests in Tunisiana at fair value and recognised a revaluation gain of QR 1,442,831 thousand in the profit or loss for the year. The revaluation of previously held interests was based on the same price that was paid for the additional controlling interests acquired during the period, after adjusting for control premium.

Since the date of acquisition and up to 31 December 2011, Tunisiana contributed a net profit of QR 699.2 million. The management expects that taking control of Tunisiana will enable the Group in expanding its telecommunication activities and operations in the Tunisian market.

(a) Identifiable assets acquired and liabilities assumed, and resulting gain on previously held interest

The fair values of the identifiable assets and liabilities of Tunisiana recognised as a result of the step acquisition were as follows:

	<i>Carrying amounts immediately prior to acquisition QR'000</i>	<i>Fair value adjustment QR'000</i>	<i>Fair values at the acquisition date QR'000</i>
Cash and bank balances	314,809	-	314,809
Trade and other receivables	387,846	-	387,846
Inventories	7,437	-	7,437
Property, plant and equipment	1,285,571	-	1,285,571
License costs	735,973	1,708,927	2,444,900
Customer contracts and related customer relationship	-	156,148	156,148
Trade names	-	203,884	203,884
Other intangibles	3,659	-	3,659
Deferred tax assets	46,255	-	46,255
Other non-current assets	49,992	-	49,992
Total provisional fair value of acquired identifiable assets at the date of acquisition	<u>2,831,542</u>	<u>2,068,959</u>	<u>4,900,501</u>
Trade and other payables	967,295	-	967,295
Borrowings	280,856	-	280,856
Other non-current liabilities	24,455	-	24,455
Total fair value of assumed liabilities at the date of acquisition	<u>1,272,606</u>	<u>-</u>	<u>1,272,606</u>
Fair value of net identifiable assets at the date of acquisition	<u>1,558,936</u>	<u>2,068,959</u>	<u>3,627,895</u>
Fair value of previously held interest in an acquired subsidiary			4,369,802
Less: Carrying value of previously held interest in an acquired subsidiary			<u>(2,926,971)</u>
Gain recognised on previously held interest in an acquired subsidiary			<u>1,442,831</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS (CONTINUED)

4.1 Step acquisition of Tunisiana S.A. (continued)

(b) Goodwill resulting on the step acquisition

Goodwill has been recognised as a result of the acquisition as follows:

	<i>QR'000</i>
Acquisition cost	2,405,957
Non-controlling interest	907,326
Fair value of previously held interest in an acquired subsidiary	4,369,802
Sub-total	7,683,085
Less: provisional fair value of net identifiable assets at date of acquisition	(3,627,895)
Goodwill recognised at date of acquisition	4,055,190

(c) Cash outflow from the acquisition

	<i>QR'000</i>
Acquisition cost	(2,405,957)
Add: Receivable from acquired subsidiary	(41,130)
Consideration paid	(2,447,087)
Less: Cash acquired from the subsidiary	314,809
Add: Derecognition of previously recorded cash under proportionate consolidation method	(157,290)
Net cash outflow from the acquisition	(2,289,568)

In 2010, the following amounts were included in the Group's consolidated financial statements as a result of the proportionate consolidation of Tunisiana:

	<i>2010</i> <i>QR'000</i>
Share of joint venture's statement of financial position:	
Current assets	355,188
Non-current assets	1,061,494
Current liabilities	(623,006)
Non-current liabilities	(12,937)
Carrying amount of net assets	780,739

	<i>2010</i> <i>QR'000</i>
Share of joint venture's income statement:	
Revenue	1,286,588
Other income (expenses)	(2,243)
General and administrative expenses	(798,587)
Finance costs	(4,332)
Income tax	(180,604)
Profit for the year	300,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS (CONTINUED)**4.2 Net acquisition of ownership interests in subsidiaries**

These represent acquisition of minor additional ownership interests in the following subsidiaries:

- National Mobile Telecommunications Company K.S.C. (“Wataniya Telecom”),
- wi Tribe Limited and
- wi Tribe Asia Limited

These are transactions with non -controlling interest without any change in control and have been directly recognised in the consolidated statement of changes in equity.

4.3 Acquisition of additional interest in a subsidiary by an associate

This represents the increase in stake by one of the Group’s associates, Asia Mobile Holdings Pte. Ltd. (AMH) in its subsidiary. This is a transaction with non -controlling interest of the associate without any change in control and accordingly has been recognised in the equity of the associate. The group’s share of this transaction has been directly recognised in the consolidated statement of changes in equity.

4.4 Conversion of non-controlling interests to interest bearing loans and borrowings

This represents amounts due to the shareholders of one of the Group’s subsidiaries Asiacell Communications LLC, Iraq (ACL) which has been reclassified as interest bearing loans and borrowings pursuant to the recent capitalization of the company on account of its conversion to a private joint stock company (PJSC). This transaction has been directly recognised in the consolidated statement of changes in equity and also reflected as interest bearing loans and borrowings (Note 26).

4.5 Acquisition of non-controlling interest in Starlink WLL

On 20 December 2010, the Group acquired an additional 9% stake in Starlink W.L.L. As a result, the group increased its stake in Starlink W.L.L. from 51% to 60%. A cash consideration of QR 4,948 thousands was paid to the non-controlling interests of Starlink W.L.L. The carrying value of the net assets immediately prior to the additional acquisition of Starlink W.L.L. was QR 11,017 thousands and the share of carrying value of the additional interest acquired was QR 992 thousands. The excess of the cash consideration over the carrying values of net assets acquired amounting to QR 3,956 thousands has been recognised in the consolidated statement of changes in equity under retained earnings.

4.6 Changes in ownership interest in Omani Qatari Telecommunications Company S.A.O.G. (“Nawras”)

In 2010, The Group offered 15% of its holding in Nawras held through TDC- Qtel MENA Investcom B.S.C. (MENA) as part of the Nawras initial public offering (“IPO”) on the Muscat Securities Market (“MSM”) in November 2010. The IPO proceeds received by the Group amounted to QR 624,777 thousands and the value of net assets representing the shares offered by the Group in the public issue was QR 192,996 thousands.

The Group also acquired an effective stake of 14.4 % in Nawras from the non-controlling shareholder in MENA based on an existing agreement for a cash consideration of QR 60,995 thousands. The value of net assets acquired from the non-controlling interest was QR 186,057 thousands.

The net effect of the above mentioned transactions was a net disposal of 0.6% of the Group’s effective stake in Nawras which resulted in a movement of non-controlling interests amounting to QR 6,939 thousands and a cumulative amount of QR 556,843 thousands being the difference between the amount by which the non-controlling interests are adjusted and the net consideration received, is recognised in the consolidated statement of changes in equity under retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS (CONTINUED)**4.7 Changes in ownership interest in Wataniya Palestine Mobile Telecommunication Limited P.S.C. ("WPT")**

In 2010, the Group contributed an amount of QR 102,329 thousands towards an increase in the share capital of WPT. In addition, WPT had offered through an Initial Public Offering (the "IPO") new shares equivalent to 15 per cent of its authorised share capital followed by a listing on the Palestine Exchange (the "PEX"). This transaction resulted in a decrease in the Group's effective shareholding in WPT from 29.9% to 25.4% without a loss of control over WPT. As a result, the Group recognised an amount of QR 23,339 thousands as part of retained earnings in the consolidated statement of changes in equity.

4.8 Changes in ownership interest in wi-tribe Limited

Additional issue of shares made by wi-tribe limited during the year was not proportionately subscribed by the non-controlling interests of wi-tribe Limited. This resulted in an increase in the Group's shareholding to 86.1%. As a result the Group has recognised an amount of QR 36,222 thousands in retained earnings representing the adjustment to reflect the changes in the interest in the subsidiary with the corresponding amount included under non-controlling interest.

5 REVENUE

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Revenue from rendering of services	31,199,888	26,716,373
Sale of telecommunications equipment	342,966	420,327
Revenue from use of assets by others	195,226	100,999
Network construction revenue (Note 15)	27,266	138,883
	<u>31,765,346</u>	<u>27,376,582</u>

6 OPERATING EXPENSES

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Outpayments and interconnect charges	3,216,707	2,853,327
Regulatory and related fees	1,989,845	1,857,848
Rentals and utilities	1,655,133	1,337,471
Network operation and maintenance	1,111,601	936,969
Cost of equipment sold and other services	1,226,340	955,994
Repairs and maintenance	708,140	647,497
Network construction costs (Note 15)	27,266	138,883
Provision for obsolete and slow moving inventories (Note 20)	23,352	6,658
	<u>9,958,384</u>	<u>8,734,647</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Employee salaries and associated costs	3,164,408	2,784,336
Marketing costs and sponsorship	1,159,976	1,172,497
Legal and professional fees	333,348	329,377
Commission on cards	1,166,862	824,739
Allowance for impairment of accounts receivable (Note 21)	247,706	199,364
Other expenses	886,847	737,257
	<u>6,959,147</u>	<u>6,047,570</u>

8 DEPRECIATION AND AMORTISATION

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Depreciation (Note 13)	5,224,678	4,696,409
Amortisation of intangibles (Note 14)	1,790,026	1,621,007
	<u>7,014,704</u>	<u>6,317,416</u>

9 FINANCE COSTS -NET

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Interest expenses	2,391,945	2,202,844
Amortisation of deferred financing costs (Note 26)	150,761	152,632
Other finance charges	14,942	11,223
Ineffective portion of cash flow hedges transferred (Note 25)	(684)	(107)
	<u>2,556,964</u>	<u>2,366,592</u>
Less : Interest income	<u>(654,649)</u>	<u>(562,205)</u>
	<u>1,902,315</u>	<u>1,804,387</u>

10 OTHER INCOME (EXPENSES) -NET

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
(Loss) / gain on foreign currency exchange (net)	(72,636)	152,380
Profit on disposal of available-for-sale investments	1,568	40,516
Profit on disposal of plant and equipment	26,520	26,024
Dividend income	41,798	25,767
Rental income from building	16,620	17,023
Change in fair value of derivatives (net)	23,295	(179,122)
Miscellaneous income (Note 11)	34,031	575,023
	<u>71,196</u>	<u>657,611</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

11 ROYALTIES AND FEES

	2011	2010
	QR'000	QR'000
Royalty to the Government of Sultanate of Oman	119,904	110,954
Industry fees	149,921	156,191
Other statutory fees	42,413	53,670
	312,238	320,815

Royalties:

In accordance with Law No. 6 of 2002, effective 1 January 2005, Qtel was liable to pay royalty to the Government of the State of Qatar for the exclusive right to provide telecommunication services in the State of Qatar. The royalty payable was calculated based on 25% of the profits attributable to the shareholders of the parent. In accordance with Law No. 34 of 2006 issued on 6 November 2006, the payment of royalty to the Government of the State of Qatar shall be discontinued from the date another operator licensed under the Law commences telecommunication services in Qatar.

The Group deemed that another operator licensed under the Law commenced commercial operations on 1 March 2009, when the second operator switched on its network for two way communication, broadly consistent with the requirements prescribed by the provisions of license granted to Qtel by ictQATAR and had discontinued payment of royalties from such date. However, as per the Decree issued by the Government of Qatar, the payment of royalties had to be discontinued with effect from 7 October 2007 and replaced with 12.5% industry fees on the profits and 1% of license fees on the net regulated revenues generated from the Group's operations in Qatar. This has resulted in a write back of accruals amounting to QR 554 million, which has been included under Other Income (Expenses) - Net (Note 10) during the year ended 31 December 2010. During the year, the royalty payable to Government of State of Qatar was settled.

In accordance with the terms of a license granted to Omani Qatari Telecommunications Company S.A.O.G. to operate telecommunication services in the Sultanate of Oman, royalty is payable to the Government of the Sultanate of Oman, effective from March 2005. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and operating expenses.

Industry fees:

In accordance with the Minister of Economy and Finance of the State of Qatar Decree in 2010, effective from 7 October 2007, the Group has provided for a 12.5% Industry fee on profits generated from the Group's operations in Qatar.

Other statutory fees:

Contributions to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat are included under other statutory fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the parent by the weighted average number of shares outstanding during the year.

There were no potentially dilutive shares outstanding at any time during the year and therefore, the diluted earnings per share is equal to the basic earnings per share.

	<i>2011</i>	<i>2010</i>
Profit for the year attributable to shareholders of the parent (QR'000)	<u>2,605,550</u>	<u>2,887,843</u>
Weighted average number of shares (in thousands)	<u>176,000</u>	<u>176,000</u>
Basic and diluted earnings per share (QR)	<u>14.80</u>	<u>16.41</u>
The weighted average number of shares has been calculated as follows:		
Qualifying shares at 1 January (in thousands)	146,667	146,667
Effect of bonus share issue (in thousands)	<u>29,333</u>	<u>29,333</u>
Total outstanding number of shares (in thousands)	<u>176,000</u>	<u>176,000</u>

During the year, the Group issued bonus shares and accordingly, the previously reported earnings per share have been restated. If the effect of the bonus shares issues during the year was not considered on the earnings per share of the previous year, the basic earnings per share would have been QR 19.69 per share for the year ended 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

13 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings QR '000</i>	<i>Exchange and networks assets QR '000</i>	<i>Subscriber apparatus and other equipment QR '000</i>	<i>Capital work in progress QR '000</i>	<i>Total QR '000</i>
Cost:					
At 1 January 2010	5,649,298	35,332,101	4,215,455	4,349,775	49,546,629
Additions	14,409	1,024,222	61,892	5,841,252	6,941,775
Transfers	581,655	5,628,926	474,249	(6,684,830)	-
Disposals	(28,761)	(2,453,719)	(81,519)	(700)	(2,564,699)
Reclassification	-	29,571	1,115	-	30,686
Exchange adjustment	185,038	484,967	3,617	117,570	791,192
At 31 December 2010	6,401,639	40,046,068	4,674,809	3,623,067	54,745,583
Derecognition of joint venture	-	(1,105,254)	(112,914)	(126,696)	(1,344,864)
Acquisition of subsidiary (Note 4.1)	-	2,210,507	225,828	253,393	2,689,728
Additions	24,441	898,383	108,740	5,543,293	6,574,857
Transfers	327,262	4,498,030	438,664	(5,263,956)	-
Disposals	(47,181)	(1,063,149)	(108,623)	(174)	(1,219,127)
Reclassification	297,105	(1,257,266)	(547,542)	162,322	(1,345,381)
Exchange adjustment	(47,678)	(257,843)	(20,229)	(38,090)	(363,840)
At 31 December 2011	6,955,588	43,969,476	4,658,733	4,153,159	59,736,956
Depreciation:					
At 1 January 2010	2,009,950	15,048,173	2,721,991	-	19,780,114
Provided during the year	433,064	3,725,805	537,540	-	4,696,409
Relating to disposals	(28,750)	(1,923,836)	(73,593)	-	(2,026,179)
Reclassification	-	15,927	597	-	16,524
Exchange adjustment	51,927	(5,972)	59,776	-	105,731
At 31 December 2010	2,466,191	16,860,097	3,246,311	-	22,572,599
Derecognition of joint venture	-	(621,522)	(80,556)	-	(702,078)
Acquisition of subsidiary (Note 4.1)	-	1,243,045	161,112	-	1,404,157
Provided during the year	493,320	4,182,857	548,501	-	5,224,678
Relating to disposals	(46,842)	(741,257)	(103,770)	-	(891,869)
Reclassification	129,255	(493,366)	(333,599)	-	(697,710)
Exchange adjustment	(30,889)	(184,124)	(22,906)	-	(237,919)
At 31 December 2011	3,011,035	20,245,730	3,415,093	-	26,671,858
Carrying value:					
At 31 December 2011	3,944,553	23,723,746	1,243,640	4,153,159	33,065,098
At 31 December 2010	3,935,448	23,185,971	1,428,498	3,623,067	32,172,984

Notes:

- Included in capital work in progress are eligible borrowing costs capitalised during the year amounting to QR 1,178 thousands (2010: QR 7,573 thousands).
- The property, plant and equipment of the subsidiaries Wataniya Telecom Algeria S.P.A, Wataniya Telecom Maldives Pvt Ltd and Wataniya Palestine Mobile Telecommunications Public Shareholding Company amounting to QR 3,226,266 thousands (2010: QR 3,322,178 thousands) are under registered mortgage to secure bank loans (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

14 INTANGIBLE ASSETS

	<i>License costs QR '000</i>	<i>Goodwill QR '000</i>	<i>Customer contracts and related customer relationships QR '000</i>	<i>Brand/Trade names QR '000</i>	<i>Concessions intangible assets QR '000</i>	<i>IRU, software and other intangibles QR '000</i>	<i>Total QR '000</i>
Cost:							
At 1 January 2010	23,708,022	10,567,500	893,551	3,434,993	636,496	283,187	39,523,749
Additions	-	-	-	33,894	139,059	20,890	193,843
Reclassification				-	(43,085)	12,399	(30,686)
Exchange adjustment	219,866	302,247	36,366	124,036	2,418	2,198	687,131
At 31 December 2010	23,927,888	10,869,747	929,917	3,592,923	734,888	318,674	40,374,037
De-recognition of a Joint venture	(1,444,425)	(1,594,697)	(103,016)	(103,016)	-	(2,157)	(3,247,311)
Acquisition of a subsidiary (Note 4.1)	2,444,900	4,055,190	156,148	203,884	-	4,313	6,864,435
Additions	151,524	-	-	1,162	27,081	122,946	302,713
Reclassification	(171,970)	-	-	-	32,884	1,484,467	1,345,381
Exchange adjustment	(82,759)	(212,125)	(12,709)	(22,613)	(438)	(33,423)	(364,067)
At 31 December 2011	24,825,158	13,118,115	970,340	3,672,340	794,415	1,894,820	45,275,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

14 INTANGIBLE ASSETS (CONTINUED)

	License costs QR '000	Goodwill QR '000	Customer contracts and related customer relationship QR '000	Brand/ Trade names QR '000	Concessions intangible assets QR '000	IRU, software and other intangibles QR '000	Total QR '000
Amortisation and impairment:							
At 1 January 2010	3,497,629	448,176	619,461	430,945	182,164	241,322	5,419,697
Amortisation during the year	1,142,002	-	188,778	211,173	71,258	7,796	1,621,007
Impairment during the year	36,251	-	-	-	-	-	36,251
Reclassification	-	-	-	-	(28,923)	12,399	(16,524)
Exchange adjustment	(32,085)	943	18,918	24,649	20,564	1,434	34,423
At 31 December 2010	4,643,797	449,119	827,157	666,767	245,063	262,951	7,094,854
Derecognition of joint venture	(697,780)	-	(78,312)	(48,939)	-	(327)	(825,358)
Acquisition of subsidiary (Note 4.1)	-	-	-	-	-	654	654
Amortisation during the year	1,124,819	-	77,518	337,263	76,206	174,220	1,790,026
Reclassification	35,045	-	-	-	-	662,665	697,710
Exchange adjustment	(120,688)	(54,486)	(10,501)	(6,111)	(682)	(31,307)	(223,775)
At 31 December 2011	4,985,193	394,633	815,862	948,980	320,587	1,068,856	8,534,111
Net book value:							
At 31 December 2011	19,839,965	12,723,482	154,478	2,723,360	473,828	825,964	36,741,077
At 31 December 2010	19,284,091	10,420,628	102,760	2,926,156	489,825	55,723	33,279,183

Note:

The Group has recorded impairment of license costs amounting to QR 36,251 thousands during 2010 based on the management's assessment of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

15 BUILD-OPERATE-TRANSFER AGREEMENT

On 9 January 2002, a subsidiary, Public Telecommunications Company Ltd. ("PTC") has signed a Build-Operate-Transfer ("BOT") agreement with Saudi Telecom Company ("STC") to offer digital radio network services based on IDEN technology ("the Project") to the public and corporate sectors in the Kingdom of Saudi Arabia ("KSA"). The services offered include call services, data services, control & monitoring services and other optional services. The key features of the BOT agreement are as described below:

- a) The BOT agreement is for a concession period of 15 years from 2005 to 2020 subject to termination as discussed in (f) below and renewal in accordance with the terms of the agreement.
- b) PTC will be responsible for the Project (including the completion of each project phase), building and maintaining the network during the term of the BOT agreement. PTC is liable to pay performance penalties to STC in the event of any failure by PTC to comply with specified network performance requirements.
- c) The prices to be charged from users by PTC are subject to regulation by STC.
- d) At the end of the agreement period, PTC shall transfer the network to STC at fair market value based on an independent valuation. The network shall be transferred in a condition that enables it to be used for at least the next 5 years.
- e) PTC shall pay STC revenue fees, site rental payments, equipment commission fees and link licence fees during the term of the BOT agreement. The fees can be revised by STC if the telecommunications market in The Kingdom of Saudi Arabia is deregulated such that STC is obliged to provide services, rights, access or licenses of a comparable type or nature to third parties. In such event the revised payments shall reflect the market rate for services, rights, access or licenses of a comparable type and nature (and in assessing such market rate the amounts previously paid by PTC shall not be taken into account).
- f) The agreement may be terminated by STC if PTC fails to perform its obligations or if PTC is declared bankrupt or insolvent or goes into liquidation (except for the purposes of amalgamation or reconstruction approved in advance by STC). The agreement may be terminated by PTC if STC fails to perform its obligations or if STC is dissolved or goes into liquidation.
- g) The agreement may be modified in writing signed by the duly authorised representatives of STC and PTC.

The assets under BOT agreement are shown separately as "Concession intangible assets" (Notes 14). Each item of the concession intangible asset is amortised over the period from the date of its addition to 2020 (as the BOT agreement expires in 2020). The network construction revenue and network construction costs are included under revenue and other operating expenses respectively.

In the opinion of management, PTC does not have any contractual obligations to fulfil as a condition of its licence.

- (i) to maintain the infrastructure to a specified level of serviceability, or
- (ii) to restore the infrastructure to a specified condition before it is handed over to the STC at the end of the BOT arrangement. The future network enhancements will be able to sustain the network on transferring to STC as mentioned in (d) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

16 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>	
			<i>2011</i>	<i>2010</i>
Navlink, Inc.,	<i>Managed Service Provider delivering technology solutions in the enterprise data market</i>	<i>United State of America</i>	38%	38%
Asia Mobile Holdings Pte Ltd ("AMH")	<i>Holding company</i>	<i>Singapore</i>	25%	25%
PT Multi Media Asia Indonesia	<i>Satellite based telecommunication services</i>	<i>Indonesia</i>	27%	27%
Liberty Telecoms Holdings Inc. ("LTHI")	<i>Telecommunication services</i>	<i>Philippines</i>	40%	40%
MEEZA QSTP LLC	<i>Information technology services</i>	<i>Qatar</i>	20%	20%

- (i) Navlink Inc. a Delaware Corporation is engaged in managing service delivery and providing technology solutions in the enterprise data market.
- (ii) On 1 March 2007, the Group acquired a 25% stake in AMH. AMH is the holding company for ST Telemedia's ("STT") stake in Star Hub Ltd., Singapore.
- (iii) On 8 May 2008, the Group acquired 27% of LTHI, a company incorporated in Philippines which is engaged in providing telecommunication services in Philippines and increased its stake to 40% on 9 December 2008.
- (iv) PT Multi Media Asia Indonesia was acquired through PT Indosat Tbk.
- (v) MEEZA QSTP LLC is registered as a limited liability company incorporated in the State of Qatar and is engaged in IT services.

The following table is the summarised financial information of the Group's investments in the associates.

	<i>2011 QR'000</i>	<i>2010 QR'000</i>
Group's share of associates' statement of financial position:		
Current assets	537,805	1,478,339
Non-current assets	2,497,178	1,821,929
Current liabilities	(810,960)	(859,130)
Non-current liabilities	(1,859,649)	(1,567,500)
Net assets	364,374	873,638
Goodwill	1,226,967	1,252,677
Carrying amount of the investment	1,591,341	2,126,315
Group's share of associates' revenues and results:		
Revenues	1,740,445	1,563,997
Results	(56,879)	(129,636)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

17 AVAILABLE-FOR-SALE INVESTMENTS

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Quoted equity investments	561,993	545,899
Unquoted equity investments	692,161	404,296
Unquoted debt securities	119,612	117,227
Investments in funds	<u>816,173</u>	<u>794,584</u>
	<u>2,189,939</u>	<u>1,862,006</u>

At 31 December 2011, certain unquoted equity investments amounting to QR 173,596 thousands (2010: QR 287,505 thousands) are carried at cost less impairment due to non-availability of quoted market prices or other reliable measures of their fair value.

During the year, the Group has recorded an impairment loss of QR 25,396 thousands (2010: QR 9,999 thousands) on certain available-for-sale investments. In the opinion of the management, based on the currently available information, there is no evidence of further impairment in the value of available-for-sale investments.

18 OTHER NON-CURRENT ASSETS

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Prepaid rentals (i)	307,748	303,955
Long term advances (ii)	363,058	417,348
Long term loans (iii)	140,341	140,437
Others (iv)	<u>99,091</u>	<u>106,149</u>
	<u>910,238</u>	<u>967,889</u>

- (i) Prepaid rentals represent the long term portion of prepaid rentals on sites and towers.
- (ii) Long term advances represents advances to suppliers and contractors for the procurement or construction of property, plant and equipment and advances against investments, which will be reclassified to the respective class of assets upon completion or receipt of these assets purchased.
- (iii) Long term loans represent loans granted to third parties for the purpose of investing in telecommunications outside Qatar, which carries interest at LIBOR plus margin 8% and is repayable within a period of five years. The loans are secured against pledge of shares of the invested telecommunication companies.
- (iv) Others includes an amount of QR 41,435 thousands (2010: QR 45,097 thousands) relating to long term portion of prepaid pension costs (Note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

19 INCOME TAX

The income tax represents amounts recognised by subsidiary companies. The major components of the income tax expense for the years 2011 and 2010 are:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Current income tax:		
Current income tax charge	800,856	519,558
Adjustments in respect of previous years' income tax	(1,042)	-
Deferred income tax:		
Relating to origination and reversal of temporary differences	<u>111,182</u>	<u>25,992</u>
Income tax included in the consolidated income statement	<u>910,996</u>	<u>545,550</u>

The Company is not subject to income tax in the State of Qatar. The tax rate applicable to the taxable subsidiaries is in the range of 10% to 35% (2010: 10% to 35%). For the purpose of determining the taxable results for the year, the accounting profit of the companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.

The reconciliation between tax expense and the product of accounting profit multiplied by the Group's effective tax rate is as follows:-

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Accounting consolidated profit before tax	6,854,190	4,633,472
The Company and its subsidiaries that are not subject to corporate income tax	<u>(2,552,747)</u>	<u>(1,804,760)</u>
Accounting profit of subsidiaries and associates that are subject to corporate income tax	4,301,443	2,828,712
Add:		
Allowances, accruals and other temporary differences	61,027	8,340
Expenses and income that are not subject to corporate tax	<u>62,569</u>	<u>677,661</u>
Deduct:		
Depreciation-net	(414,442)	(908,643)
Unutilised tax losses brought forward	<u>(274,422)</u>	<u>(80,554)</u>
Taxable profit of subsidiaries and associates that are subject to corporate income tax	<u>3,736,175</u>	<u>2,525,516</u>
Current income tax charge at the effective income tax rate of 21% (2010: 21%)	<u>800,856</u>	<u>519,558</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

19 INCOME TAX (CONTINUED)

	<i>Consolidated statement of financial position</i>		<i>Consolidated income statement</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Accelerated depreciation for tax purposes	(1,009,389)	(926,801)	(98,081)	(256,250)
Losses available to offset against future taxable income	392,041	465,244	(73,204)	166,198
Allowances, accruals and other temporary differences	59,139	32,006	14,392	(22,150)
Deferred tax origination on Purchase Price Allocation	(792,864)	(844,238)	45,711	86,210
Deferred tax expense			(111,182)	(25,992)
Deferred tax liability - net	(1,351,073)	(1,273,789)		

Reflected in the consolidated statement of financial position as follows:

	<i>2011</i>	<i>2010</i>
	<i>QR'000</i>	<i>QR'000</i>
Deferred tax asset	286,776	357,998
Deferred tax liability	(1,637,849)	(1,631,787)
	(1,351,073)	(1,273,789)
Reconciliation of deferred tax liability – net		
	<i>2011</i>	<i>2010</i>
	<i>QR'000</i>	<i>QR'000</i>
At 1 January	1,273,789	1,178,065
Derecognition of joint venture	23,128	-
Acquisition of subsidiaries (Note 4.1)	(46,255)	-
Tax expense during the year	111,182	25,992
Tax on other comprehensive income	1,911	(2,924)
Exchange adjustment	(12,682)	72,656
At 31 December	1,351,073	1,273,789

Unrecognised deferred tax assets

At 31 December 2011, deferred tax assets of QR 32,774 thousands (2010: QR 22,577 thousands) for temporary differences of QR 143,195 thousands (2010: QR 94,071 thousands) related to investments in subsidiaries were not recognised because the subsidiaries were unable to assess with reasonable certainty that sufficient taxable profit would be available to recover the asset in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

20 INVENTORIES

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Subscribers' equipment	203,280	177,262
Other equipment	141,033	137,065
Cables and transmission equipment	<u>43,936</u>	<u>36,835</u>
	388,249	351,162
Less: Provision for obsolete and slow moving inventories	<u>(45,699)</u>	<u>(34,578)</u>
	<u>342,550</u>	<u>316,584</u>

Inventories consumed and recognised as expense during the year included, as part of cost of equipment sold and other services under operating expenses, amounting to QR 690,769 thousands (2010: QR 749,745 thousands).

Movement in the provision for obsolete and slow moving inventories is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
At 1 January	34,578	27,911
Derecognition of joint venture	(32)	-
Acquisition of subsidiary (Note 4.1)	64	-
Provided during the year (Note 6)	23,352	6,658
Amounts written off	(12,307)	(192)
Exchange adjustment	<u>44</u>	<u>201</u>
At 31 December	<u>45,699</u>	<u>34,578</u>

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Accounts receivable – net of impairment allowances	2,466,164	2,180,994
Other receivables and prepayments	2,637,416	2,148,648
Unbilled subscriber revenue	346,890	280,471
Amounts due from international carriers	301,766	98,703
Positive fair value of derivatives contracts (Note 31)	63,991	30,358
Net prepaid pension costs (Note 27)	<u>848</u>	<u>776</u>
	<u>5,817,075</u>	<u>4,739,950</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

At 31 December 2011, accounts receivable amounting to QR 893,416 thousands (2010: QR 783,646 thousands) were impaired and fully provided for.

Movement in the allowance for impairment of accounts receivable is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
At 1 January	783,646	654,393
Derecognition of joint venture	(14,419)	-
Acquisition of subsidiary (Note 4.1)	28,839	-
Charge for the year (Note 7)	247,706	199,364
Amounts written off	(116,455)	(71,507)
Amount recovered	(30,881)	(8,473)
Exchange adjustment	(5,020)	9,869
At 31 December	<u>893,416</u>	<u>783,646</u>

At 31 December 2011, the ageing of unimpaired accounts receivable is as follows:

	<i>Total</i> <i>QR '000</i>	<i>Neither</i> <i>past due nor</i> <i>impaired</i> <i>QR '000</i>	<i>Past due not impaired</i>			
			<i>< 30 days</i> <i>QR '000</i>	<i>30-60</i> <i>Days</i> <i>QR '000</i>	<i>60-90</i> <i>Days</i> <i>QR '000</i>	<i>> 90 days</i> <i>QR '000</i>
2011	<u>2,466,164</u>	<u>619,672</u>	<u>385,081</u>	<u>446,844</u>	<u>278,190</u>	<u>736,377</u>
2010	<u>2,180,994</u>	<u>504,503</u>	<u>406,977</u>	<u>251,791</u>	<u>186,107</u>	<u>831,616</u>

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities are therefore, unsecured.

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following items:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Bank balances and cash	21,249,832	25,575,667
Bank overdraft (Note 26)	<u>-</u>	<u>(1,710)</u>
Total bank balances and cash as at 31 December	21,249,832	25,573,957
Less:		
Restricted deposits	<u>(198,944)</u>	<u>(16,037)</u>
Cash and cash equivalents as per consolidated statement of cash flows at 31 December	<u>21,050,888</u>	<u>25,557,920</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

22 CASH AND CASH EQUIVALENTS (continued)*Notes:*

- (i) Bank balances and cash equivalents include fixed deposits maturing after three months amounting to QR 13,860,975 thousands (2010: QR 15,804,342 thousands). The management is of the opinion that these fixed deposits are readily convertible to cash and is held to meet short-term commitments.
- (ii) Short term deposits are made for varying periods depending on the immediate cash requirements of the Group and the interest on the respective short term deposit rates range from 0.35% to 9.75% (2010 : 0.76% to 10%)

23 SHARE CAPITAL

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Authorised		
200,000,000 Ordinary shares of QR 10 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid up		
176,000,000 Ordinary shares of QR 10 each	<u>1,760,000</u>	<u>1,466,667</u>

The Government of the State of Qatar owns 55% of the share capital.

24 RESERVES**a) Legal reserve**

In accordance with Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit of the Company for the year should be transferred to the legal reserve until such reserves reach 50% of the issued share capital. During 2008, an amount of QR 5,494,137 thousands, being the net share premium amount arising out of the rights issue was transferred to legal reserve.

The reserve is not available for distribution except in the circumstances stipulated in the Companies' law and the Company's Articles of Association. No Such transfer has been made during the year as the legal reserve has already exceeded 50% of the paid up share capital.

b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments and effective portion of qualifying cash flow hedges.

c) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

d) Other statutory reserves

In accordance with the statutory regulations of the various subsidiaries, a share of their respective annual profits should be transferred to a non-distributable statutory reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

25 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
<i>Available-for-sale investments:</i>		
Gain arising during the year	261,341	279,512
Reclassification adjustments for profit included in the consolidated income statement	(1,568)	(40,516)
Transfer to income statement on impairment (Note 17)	<u>25,396</u>	<u>9,999</u>
	<u>285,169</u>	<u>248,995</u>
<i>Cash flow hedges :</i>		
Gain arising during the year	345,951	1,627
Income tax effect	(1,855)	2,228
Ineffective portion of cash flow hedges transferred to income statement (Note 9)	<u>(684)</u>	<u>(107)</u>
	<u>343,412</u>	<u>3,748</u>
<i>Associates:</i>		
Share of changes in fair value of cash flow hedges	<u>(2,099)</u>	<u>1,473</u>
<i>Translation reserves:</i>		
Exchange differences on translation of foreign operations	(415,013)	1,053,146
Income tax benefits	<u>(56)</u>	<u>689</u>
	<u>(415,069)</u>	<u>1,053,835</u>
Other comprehensive income for the year, net of tax	<u>211,413</u>	<u>1,308,051</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS

The interest bearing loans and borrowings presented in the consolidated statement of financial position consist of the following:

		2011 QR'000	2010 QR'000
The Company's loans:			
Loan 1	Aug 2012	10,924,500	10,924,500
Loan 2	Various	7,283,000	7,283,000
Subsidiaries' loans:			
<i>Qtel International Finance Limited</i>			
Loan 3	Jun 2014	3,277,350	3,277,350
Loan 4	Jun 2019	2,184,900	2,184,900
Loan 5	Oct 2016	3,641,500	3,641,500
Loan 6	Feb 2021	3,641,500	3,641,500
Loan 7	Oct 2025	2,731,125	2,731,125
<i>Omani Qatari Telecommunications Company S.A.O.G.</i>			
Loan 8	Mar 2012	522,275	672,675
<i>National Mobile Telecommunications Company K.S.C. and its subsidiaries:</i>			
Loan 9	Various	1,175,236	1,319,554
Loan 10	Mar 2012	-	140,530
Loan 11	Nov 2013	21,849	43,698
Loan 12	Various	260,597	317,610
Loan 13	Jan 2014	-	364,988
<i>Wi tribe Limited:</i>			
Loan 14	May 2011	-	425,321
<i>Asiacell Communications PJSC:</i>			
Loan 15	Mar 2012	455,188	-
Loan 16	-	573,536	-
<i>PT Indosat Tbk and its subsidiaries:</i>			
Loan 17	Feb 2014	835,724	1,638,691
Loan 18	Nov 2019	586,680	660,021
Loan 19	Sep 2012	401,577	526,526
Loan 20	Feb 2014	602,365	-
Loan 21	Sep 2012	401,577	526,526
Loan 22	Feb 2014	602,365	-
Loan 23	May 2012	194,290	198,012
Loan 24	Various	864,861	810,242
Loan 25	Jun 2011	-	330,091
Loan 26	Various	1,044,100	1,053,052
Loan 27	Various	433,704	437,421
Loan 28	Various	522,050	526,526

Continued ...

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

		<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Loan 29	Jul 2020	2,366,976	2,366,998
Loan 30	Jun 2011	-	115,431
Loan 31	May 2014	160,631	162,008
Loan 32	Apr 2013	228,899	230,861
Loan 33	Various	80,315	81,004
<i>Others:</i>			
Loan 34	Various	227,729	218,825
Bank overdrafts (Note 22)		-	1,710
		46,246,399	46,852,196
Less: Deferred financing costs		(463,364)	(590,522)
		45,783,035	46,261,674

Presented in the consolidated statement of financial position as:

	<i>Principal repayment amount QR'000</i>	<i>Deferred financing costs QR'000</i>	<i>2011 QR'000</i>	<i>2010 QR'000</i>
Current portion	13,953,354	(102,616)	13,850,738	2,518,853
Non-current portion	32,293,045	(360,748)	31,932,297	43,742,821
	46,246,399	(463,364)	45,783,035	46,261,674

The deferred financing costs consist of arrangement and commitment fees. Movement in deferred financing costs was as follows:

	<i>2011 QR'000</i>	<i>2010 QR'000</i>
At 1 January	590,522	402,826
Additions during the year	24,096	335,870
Amortised during the year (Note 9)	(150,761)	(152,632)
Exchange adjustment	(493)	4,458
At 31 December	463,364	590,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Notes:

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Qatar Telecom (Qtel) Q.S.C.					
Loan 1	USD 3.0 billion / QR 10.9 billion	Unsecured	LIBOR Plus Margin	Refinancing of QR. 9.10 billion old bridge loan facility and general corporate purposes	The loan was fully drawn on September 2007.
Loan 2	USD 2.0 billion / QR 7.3 billion			For general corporate purposes	The loan will mature in 2 tranches of USD 1.25 billion on May 2013 and USD 0.75 billion on May 2015.
Qatar International Finance Limited					
Loan 3	USD 0.9 billion / QR 3.3 billion	Unconditional and irrevocable guarantee by Qtel (Parent)	6.50%	For general corporate purposes	In May 2009, the Group established a US\$ 5 Billion (QR 18.2 Billion) Global Medium Term Note Programme ("Notes"). The Notes were issued in 2 tranches - the first tranche covering Loans 3 and 4 amounting to USD 1.5 billion (QR 5.4 billion) was issued on June 2009. The second tranche covering Loans 5, 6 and 7 amounting to USD 2.75 billion (QR 10 billion) was issued on October 2010.
Loan 4	USD 0.6 billion / QR 2.2 billion		7.88%		
Loan 5	USD 1.0 billion / QR 3.64 billion		3.38%		
Loan 6	USD 1.0 billion / QR 3.64 billion		4.75%		
Loan 7	USD 0.75 billion / QR 2.73 billion		5.00%		
Omani Qatari Telecommunications Company S.A.O.G. (Nawras).					
Loan 8	USD 270 million / QR 983 million	Secured by a charge on the company's dollar proceeds account and the insurance proceeds of property, plant and equipment and corporate guarantees of shareholders of Nawras.	LIBOR Plus Margin	For general corporate purposes	The loan agreement contains certain restrictive covenants. The loan is repayable in nine semi-annual installments which commenced from March 2008. The subsidiary has received a market disruption clause notice from some of its lenders which request that finance cost on the commercial loan facility be based on LIBOR plus an additional margin from March 2009. The average annual additional interest paid in relation to this during the year was 0.89% (2010: 1.18%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Facility reference	Facility/ net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
National Mobile Telecommunications Company K.S.C. and subsidiaries					
Loan 9	QR 1.18 Billion		Algerian Repo rate plus 1.3% to 3.4% per annum and LIBOR plus 1.10% to 4.15% per annum	For general corporate purposes	Repayable in instalments over a period from December 2005 to March 2015.
Loan 10	-	These loans are secured by pledges on the respective subsidiaries assets.	EURIBOR plus 1% per annum and Tunisia money market rate plus 2% per annum		Repayable over a period of 4 years in instalments starting from March 2008. During the year, the loan has been repaid in full.
Loan 11	QR 21.8 million		6 months LIBOR plus 3.5%		Repayable over a period of 5 years in instalments starting from November 2008.
Loan 12	QR 261 million		LIBOR plus 5.31% to 6.34% per annum		Repayable in semi-annual instalments commencing January 2011 and ending January 2016.
Loan 13	-		1% per annum over the Central Bank of Kuwait discount rate		Repayable in instalments or at maturity by December 2013. During the year, the loan has been repaid in full.
wi-tribe Limited					
Loan 14	USD 151 million / OR 550 million	Unsecured revolving credit facility	6%	For general corporate purposes	The loan was repayable by 11 May 2011. During the year, the loan has been repaid in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Asiacell					
Loan 15	USD 250 million / QR 910 million	Unsecured	LIBOR plus 3%	This facility was utilised to finance the settlement of outstanding license costs along with interest and other fees to Communications and Media Commission, Iraq (CMC)	The loan is repayable in 6 equal monthly installments and the first installment was paid on 20 October 2011.
Loan 16	USD 157.5 million QR 573.5 million	Unsecured	9%	For general corporate purposes	This relates to the amounts due to the shareholders of ACL which has been reclassified pursuant to recent capitalization of the company on account of its conversion to a private joint stock company (PJSC). The terms of the facility is still under negotiation.

PT Indosat Tbk and its subsidiaries:

Loan 17	USD 450 million / QR 1.64 billion	Unsecured	US Dollar LIBOR plus 1.9% p.a. for onshore and 1.85% p.a. for offshore lenders	To finance the subsidiary's capital expenditure, purchase of a portion of its Guaranteed notes due on 2010 and 2012 and for general working capital requirements.	The Syndicated US dollar loan facility was signed in June 2008 and is repayable semi-annually over a period of 4 to 5 years. Based on the loan agreement the subsidiary is required to maintain certain loan covenants such as maintaining certain financial ratios.
Loan 18	USD 160 million / QR 583 million	-	5.69% p.a.	To finance 85% of the French content under the Palapa D Satellite and 100% of the COFACE premium	12 year - COFACE term facility Payable in twenty semi-annual instalments
	USD 44 million / QR 160 million	-	USD LIBOR + 0.35% p.a.	To finance 85% of the launch service contract under the Palapa D Satellite	12 year - SINOSURE term facility Payable in twenty semi-annual instalments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 19	Rp 2,000 billion / QR 810 million	Unsecured	Year 1 - 9.75% Year 2 - 10.5% Year 3 to 5 - JIBOR+1.5%	Purchase of telecommunication equipments	Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.
Loan 20	Rp 1,500 billion / QR 602 million	Unsecured	1-month JIBOR plus 1.25%	To finance the company's operational working capital, capital expenditure and/or refinancing requirements	In June 2011 the company entered into a revolving loan facility agreement. In Dec. 2011 the company drew down from this facility. Based on the facility agreement, the Company is required to comply with certain covenants such as maintaining financial ratios.
Loan 21	Rp 2,000 Billion / QR 810 million	Unsecured	Year 1 - 9.75% Year 2 - 10.5% Year 3 to 5 - JIBOR+1.5%	Purchase of telecommunication equipments and repayment of old loan facility	In September, October and December 2007, the subsidiary made draw downs for the full loan amounts. Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.
Loan 22	Rp 1,500 Billion / QR 607.5 million	Unsecured	JIBOR + 1.4% p.a. However, starting December 1, 2011, JIBOR + 1.25% p.a	For general corporate purposes	The revolving time loan had an initial maximum amount of Rp1,000,000. In December, 2011, the facility was amended to increase the amount up to Rp1,500,000 and change the interest rate. Each drawdown matures 1 month from the drawdown date. Subsequently, on August 2011, the Company obtained an approval from BCA to amend the maturity date of each drawdown to become at the latest on February 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 23	Rp 434.3 billion / QR 174.4 million	Unsecured	8.75% per annum If FX conversion option is opted, starting May 30, 2012, the loan will bear interest at the fixed annual rate of 6.45% applied on the US\$50 million.	Purchase of telecommunication equipments	Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios. Credit facilities consisting of facilities A,B and C with maximum amounts of US \$100 million, US\$155 million and US\$ 60 million respectively Loan drawdowns are payable semi-annually
Loan 24	USD 0.32 billion / QR 1.80 billion	Unsecured	Facility A: Margin of 0.25%, LIBOR, SEK Funding Cost of 1.05% and EKN Premium Margin of 1.58%. Facility B: Margin of 0.05%, Commercial Interest Reference Rate ("CIRR") and EKN Premium Margin of 1.61% Facility C: Margin of 0.05%, CIRR and EKN Premium Margin of 1.61% payable semi-annually.	Purchase of telecommunication equipments	These are 4 th Indosat Bonds issued in 2005 with BRI as the trustee. Buy-back option available at market price on 1 st anniversary. Early settlement option at 100% of bonds nominal value on 4 th anniversary. Certain financial ratios to be maintained as part of loan covenants. During the year the bond was repaid in full.
Loan 25	Rp 815 billion / QR 327 million	All assets as pari-passu security	12% per annum	For capital expenditure purposes	The loan represents the fifth Indosat bonds and consists of 2 series: Series A amounting to Rp 1,230 billion (QR 494 million) issued on May 2007 and maturing May 2014; and Series B amounting to Rp 1,370 billion (QR 550 million) issued on May 2007 and maturing May 2017
Loan 26	Rp 2,600 billion / QR 1.05 billion	All assets as pari-passu security	Series A 10.2% and series B 10.65%	For capital expenditure purposes	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 27	Rp 1,080 billion (QR 434 million)	All assets as pari-passu security	Series A 10.25% and series B 10.80%	For Capital Expenditure purposes	The loan represents the sixth Indosat bonds and consists of 2 series with BRI as the trustee: Series A amounting to Rp 760 billion (QR 305 million) issued on April 2008 and maturing on April 2013; and Series B amounting to Rp 320 billion (QR 128.5 million) issued on April 2008 and maturing on April 2015. The subsidiary is required to maintain certain financial ratios as required by the loan agreement.
Loan 28	Rp 1,300 billion (QR 522 million)	All assets as pari-passu security	Series A 11.25% and series B 11.75%	Purchase of base station subsystem to expand the subsidiary's cellular network	The loan represents the seventh Indosat bonds consists of 2 series :- Series A amounting to Rp 700 billion (QR 281 million) issued on December 2009 and maturing on December 2014; and Series B amounting to Rp 600 billion (QR 241 million) issued on March 2010 and maturing on 8 December 2016. The subsidiary is required to maintain certain financial ratios as required by the loan agreement.
Loan 29	USD 650 million QR 2.37 billion	Unconditionally and irrevocably guaranteed	7.375%	For purchase of Guarantee notes maturing in 2010 and 2012 and for refinancing part of the existing facilities	This represents the Guaranteed Notes ("GNII") 2020 issued at 99.478% of their principal amount and bear interest at the fixed rate of 7.375% per annum payable semi-annually on 29 January and 29 July of each year, commencing on 29 January 2011. The notes will mature on July 29, 2020. The notes will be redeemable at the option of IPBV, in whole or in part, at any time on or after 29 July 2015 at prices equal to 103.6875%, 102.4583%, 101.2292% and 100% of the principal amount during the 12-month period commencing 29 July 2015, 2016, 2017 and 2018 and thereafter, respectively, plus accrued and unpaid interest. Certain financial ratios to be maintained as part of the covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Facility reference	Facility/net drawn amount	Collateral	Interest rate	Purpose of the facility	Facility details
Loan 30	Rp 285 billion QR 115 million	All assets as pari-passu security	Yearly QR 13.8 million fixed Ijarah costs	For Capital Expenditure purposes	Syariah Ijarah Bonds issued in 2005 with BRI as the trustee. Buyback option is embedded at market price on 1 st anniversary (expired). Early settlement option is available at 100% of bonds nominal value on 4 th anniversary. Certain financial ratios need to be maintained as part of the covenants. During the year the bond was repaid in full.
Loan 31	Rp 400 billion QR 161 million	All assets as pari-passu security	Yearly QR 16.5 million fixed Ijarah costs	For Capital Expenditure purposes	Sukuk Ijarah II bonds were issued on May 2007 with BRI as the trustee. Buyback option is embedded at the market price on 1 st anniversary (expired). Early settlement option is available at 100% of bonds nominal value on 4 th anniversary. Certain financial ratios need to be maintained as part of the covenants.
Loan 32	Rp 570 billion QR 230 million	All assets as pari-passu security	Yearly QR 23.7 million fixed Ijarah costs	For capital expenditure purposes	Sukuk Ijarah III bonds were issued on April 2008 BRI is the trustee. Buyback option is embedded at the market price on the 1 st anniversary (expired). Early settlement option available at 100% of bond nominal value on 4 th anniversary. Certain financial ratios need to be maintained as part of the covenants.
Loan 33	Rp 200 billion QR 81 million	Unsecured	Annual fixed Ijarah return. Series A bonds QR 1.2 million and Series B bonds QR 8.1 million	For the purchase of Base Station Subsystem to expand the subsidiary's cellular network.	Sukuk Ijarah IV bonds were issued in year 2009 with BRI as the trustee. Series A bonds amounting to Rp 28 billion (QR 11 million) with annual fixed Ijarah return totalling Rp 3.1 billion (QR 1.2 million) payable on a quarterly basis starting March 2010 up to December 2014. Series B bonds amounting to Rp 172 billion (QR 69 million) with annual fixed Ijarah return totalling Rp 20.2 billion (QR 8.1 million) payable on a quarterly basis starting March 2010 up to December 2016. The bonds will mature before maturity date if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Others - Loan 34:

This represents the following facilities as at 31st December 2011:

- Indosat - 9-Year Commercial Loan
- Indosat - Second Indosat Bond - Series B
- Indosat - Lintasarta Limited bonds I
- Indosat - Lintasarta Limited bonds II
- Indosat - CIMB Niaga 5 - this was repaid in full during the year
- Indosat - CIMB Niaga 6
- Indosat – FEC facility - this was repaid in full during the year
- Asiacell - Hermes Facility with HSBC
- Starlink - Bank facility

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Employees' end of service benefits	378,869	337,640
Post retirement health care plan	223,177	258,917
Cash settled share based payments	177,641	235,018
Defined benefit pension plan/Labour Law No. 13/2003	78,038	76,121
Other employee benefits	<u>14,952</u>	<u>18,304</u>
Total employee benefits	872,677	926,000
Current portion of cash settled share based payments	<u>(71,515)</u>	<u>(12,675)</u>
Employee benefits – non current	<u>801,162</u>	<u>913,325</u>

Movement in the provision for employee benefits are as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
At 1 January	926,000	770,262
Provided during the year	1,476	153,232
Paid during the year	(55,670)	(13,277)
Exchange adjustment	<u>871</u>	<u>15,783</u>
At 31 December	<u>872,677</u>	<u>926,000</u>

The details of the benefit plans operated by the Group are as follows:

Employees' end of service benefits

The Company and its certain subsidiaries provide end of service benefits to their employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

The subsidiaries, Indosat, Satelindo and Lintasarta have defined benefit and defined contribution pension plans covering substantially all of their qualified permanent employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**Post-retirement healthcare plan**

The subsidiary provides post-retirement healthcare benefits to its employees who leave after the employees fulfill the early retirement requirement. The spouse and children who have been officially registered in the administration records of the subsidiary are also eligible to receive benefits. If the employees die, the spouse and children are still eligible for the post-retirement healthcare until the spouse dies or remarries and the children reach the age of 25 or get married.

The utilization of post-retirement healthcare is limited to an annual maximum ceiling that refers to monthly pension from Jiwasraya as follows:

- 16 times the Jiwasraya monthly pension for a pensioner who receives monthly pension from Jiwasraya.
- 16 times the equality monthly pension for a pensioner who became permanent employee after 1 September 2000.
- 16 times the last monthly pension for a pensioner who retired after 1 July 2003 and does not receive Jiwasraya monthly pension.

The net periodic post-retirement healthcare cost for the year ended 31 December 2011 was calculated based on the actuarial valuations as of 31 December 2011. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<i>2011</i>	<i>2010</i>
Annual discount rate	8.0%	9.5%
Ultimate cost trend rate	6.0%	6.0%
Next year trend rate	12.0%	14.0%
Period to reach ultimate cost trend rate	4 Years	4 years

- a) The composition of the periodic post-retirement healthcare cost for the year ended 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Interest cost	28,643	26,416
Service cost	10,031	11,312
Amortization of unrecognized past service cost	3,778	4,189
Amortisation of unrecognised actuarial loss	2,230	-
Curtailment gain	(75,527)	-
Periodic post-retirement healthcare cost	<u>(30,845)</u>	<u>41,917</u>

- b) The composition of the accrued post-retirement healthcare cost as of 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Projected benefit obligation	276,200	342,905
Unrecognized actuarial loss	(41,635)	(65,388)
Unrecognized past service cost	(6,185)	(12,658)
Accrued post-retirement healthcare cost	<u>228,380</u>	<u>264,859</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)

Post-retirement healthcare plan (continued)

c) Movements in the accrued post-retirement healthcare cost during the year ended 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
At 1 January	264,859	217,638
Net periodic post-retirement healthcare cost	(30,844)	41,917
Benefit payment	(4,409)	(5,049)
Exchange adjustment	(1,226)	10,353
Total post retirement healthcare benefits	228,380	264,859
Current portion of post retirement healthcare benefits (included in note 29)	(5,203)	(5,942)
Non-current portion of post retirement healthcare benefits	223,177	258,917

d) The effect of 1% change in assumed post-retirement healthcare cost trend rate would result in aggregate service and interest costs for the year ended 31 December and accumulated post-retirement healthcare benefit obligation as of 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Increase		
Service and interest costs	47,568	47,218
Accumulated post-retirement healthcare benefit obligation	339,177	417,551
Decrease		
Service and interest costs	29,567	31,133
Accumulated post-retirement healthcare benefit obligation	227,544	284,580

Defined Benefit Pension Plan/Labour Law No. 13/2003

i) Labour Law No. 13/2003

Indosat, Lintasarta and IMM also accrue benefits under Indonesian Labor Law No. 13/2003 ("Labor Law") dated 25 March 2003. Their employees will receive the benefits under this law or the defined benefit pension plan, whichever amount is higher.

The net periodic pension cost under the Labor Law for the year ended 31 December 2011 is calculated based on the actuarial valuations as of 31 December 2011. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<i>2011</i>	<i>2010</i>
Annual discount rate	7.5%	8.5% - 9.0%
Annual rate of increase in compensation	8.0% - 9.0%	8.0% - 9.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**i) Labour Law No. 13/2003 (continued)**

- a) The composition of the periodic pension cost under the Labor Law for the year ended 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Service cost	12,194	8,715
Interest cost	6,600	7,849
Amortisation of recognised actuarial loss	297	601
Amortisation of unrecognised actuarial loss	7	-
Curtailment gain	<u>(14,802)</u>	<u>-</u>
Periodic pension cost	<u>4,296</u>	<u>17,165</u>

- b) The composition of the accrued pension cost under the Labour Law during the year ended 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Projected benefit obligation	116,913	88,195
Unrecognised actuarial loss	(33,529)	(6,985)
Unrecognised past service cost	<u>(3,458)</u>	<u>(3,901)</u>
Accrued pension cost	79,926	77,309
Current portion accrued pension costs (included in note 29)	<u>(1,888)</u>	<u>(1,188)</u>
Non-current portion accrued pension cost	<u>78,038</u>	<u>76,121</u>

ii) Defined Benefit Pension Plan

The subsidiaries, Indosat, Satelindo and Lintasarta provide defined benefit pension plans to their respective employees under which pension benefits to be paid upon retirement are based on the employees' most recent basic salary and number of years of service. PT Asuransi Jiwasraya ("Jiwasraya"), a state-owned life insurance company, manages the plans. Pension contributions are determined by periodic actuarial calculations performed by Jiwasraya.

Based on an amendment dated 22 December 2000 of the subsidiaries pension plan, which was further amended on 29 March 2001, the benefits and premium payment pattern were changed. Before the amendment, the premium was regularly paid annually until the plan would be fully funded and the benefits consisted of retirement benefit (regular monthly or lump-sum pension) and death insurance. In conjunction with the amendment, the plan would be fully funded after making installment payments up to January 2002 of the required amount to fully fund the plan determined as of 1 September 2000. The amendment also includes an additional benefit in the form of thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri ("Moslem Holiday").

The amendment covers employees registered as participants of the pension plan as of 1 September 2000 and includes an increase in basic salary pension by 9% compounded annually starting from 1 September 2001. The amendment also stipulates that there will be no increase in the premium even in cases of mass employee terminations or changes in marital status.

The total premium installments based on the amendment amounted to QR 142,560 thousands and were paid on due dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

On 1 March 2007, one of the subsidiary entered into an agreement with Jiwasraya to provide defined death insurance plan to 1,276 employees as of 1 January 2007, who are not covered by the defined benefit pension plan as stated above. Based on the agreement, a participating employee will receive:

- Expiration benefit equivalent to the cash value at the normal retirement age, or
- Death benefit not due to accident equivalent to 100% of insurance money plus cash value when the employee dies not due to accident, or
- Death benefit due to accident equivalent to 200% of insurance money plus cash value when the employee dies due to accident.

On 25 June 2003, Satelindo entered into an agreement with Jiwasraya to amend the benefits and premium payment pattern of the former's pension plan. The amendment covers employees registered as participants of the pension plan as of 25 December 2002 up to 25 June 2003. Other new conditions include the following:

- An increase in pension basic salary at 6% compounded annually starting from 25 December 2002.
- Thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri.
- An increase in periodic payment of retirement benefit at 6% compounded annually starting one year after receiving periodic retirement benefit for the first time.
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On 15 April 2005, Lintasarta entered into an agreement with Jiwasraya to replace their existing agreement. Based on the new agreement, the benefits and premium payment pattern were changed. This agreement is effective starting 1 January 2005. The total premium installments based on the agreement amounted to QR 24,746 thousands which is payable in 10 annual installments starting 2005 until 2015.

The new agreement covers employees registered as participants of the pension plan as of 1 April 2003. The conditions under the new agreement include the following:

- An increase in pension basic salary by 3% (previously was estimated at 8%) compounded annually starting 1 April 2003.
- An increase in periodic payment of retirement benefit at 5% compounded annually starting one year after receiving periodic retirement benefit for the first time.
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

On 2 May 2005, Lintasarta entered into an agreement with Jiwasraya to amend the above agreement. The amendment covers employees registered as participants of the pension plan as of 1 April 2003 up to 30 November 2004 with additional 10 annual premium installments totalling QR 663.8 thousands which are payable starting 2005 until 2015.

The contributions made by Lintasarta to Jiwasraya amounted to QR 3,876 thousands each for the year ended 31 December 2011 (2010: QR 3,910 thousands).

The net periodic pension cost for the pension plans for the year ended 31 December 2011 is calculated based on the actuarial valuations as of 31 December 2011. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<i>2011</i>	<i>2010</i>
Annual discount rate	7.0% - 7.5%	8.5% - 9.0%
Expected annual rate of return on plan assets	4.5% - 9.0%	4.5% - 8.0%
Annual rate of increase in compensation	3.0% - 9.0%	3.0 - 9.0%
Mortality rate	TMI 1999	TMI 1999

a) The composition of the net periodic pension cost for the year ended 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Interest cost	19,928	29,878
Service cost	12,880	16,730
Settlement cost	1,934	-
Amortisation of unrecognised actuarial loss	496	341
Return on plan assets	(21,689)	(28,640)
Curtailment gain	(6,926)	-
Net periodic pension cost	<u>6,623</u>	<u>18,309</u>

b) The funded status of the plans as of 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Plan assets at fair value	216,411	345,465
Projected benefit obligation	<u>(185,960)</u>	<u>(304,018)</u>
Excess of plan assets over projected benefit obligation	30,451	41,447
Unrecognised actuarial loss	<u>11,832</u>	<u>4,426</u>
Total prepaid pension cost	<u>42,283</u>	<u>45,873</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

27 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

c) Movement in the prepaid pension cost during the year ended 31 December was as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
At 1 January	45,873	58,038
Net periodic pension cost	(6,623)	(18,309)
Refund	(826)	(261)
Contribution	4,028	3,958
Exchange adjustment	(169)	2,447
At 31 December	<u>42,283</u>	<u>45,873</u>
Presented in the consolidated statement of financial position as follows:		
Current portion (Note 21)	848	776
Long-term portion (Note 18)	<u>41,435</u>	<u>45,097</u>
	<u>42,283</u>	<u>45,873</u>

Plan assets as of 31 December 2011 principally consisted of time deposits, debt securities, long-term investment in shares of stock and property.

iii) Defined Contribution Pension Plan

In May 2001 and January 2003, the subsidiary PT Indosat Tbk and Satelindo assisted their employees in establishing their respective employees' defined contribution pension plans, in addition to the defined benefit pension plan as mentioned above. Starting June 2004, the subsidiary also assisted ex-IM3 employees in establishing their defined contribution pension plan. Under the defined contribution pension plan, the employees contribute 10% - 20% of their basic salaries, while the subsidiary does not contribute to the plans. Total contributions of employees for the year ended 31 December 2011 amounted to QR 17,553 thousands (2010: QR 18,857 thousands). The plan assets are being administered and managed by seven financial institutions appointed by the subsidiary, based on the choice of the employees.

28 OTHER NON-CURRENT LIABILITIES

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Communications and Media Commission (CMC) Iraq (i)	-	1,365,563
Ministry of Communication and Technology ('MOCIT') Indonesia (ii)	939,596	1,044,706
Non-current portion of negative fair value of derivatives (Note 31)	-	357,004
Ministry of Telecommunications and Information Technology- Palestine	197,903	197,903
Telecommunications Regulatory Commission ("TRC") Jordan (iii)	21,838	24,391
Site restoration provision (iv)	59,485	30,601
Others	<u>106,463</u>	<u>165,231</u>
	<u>1,325,285</u>	<u>3,185,399</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

28 OTHER NON-CURRENT LIABILITIES (CONTINUED)*Notes:*

- (i) In August 2007, the CMC granted Asiacele Communications LLC, Iraq (“ACL, Iraq”) a 15 year license, which may be extended by an additional 5 years, to operate a public mobile terrestrial wireless cellular telecommunications network. The license requires that ACL, Iraq pay a license fee of QR 4,551,875 thousands to the CMC of which QR 1,820,750 thousands was outstanding as at 31 December 2010. This was fully settled during the year along with the interest.
- (ii) This amount represents the amounts payable to the Ministry of Communication and Technology with respect to the 3G license and Broadband Wireless Access (WDA) and amounting to QR 883,482 thousands (2010: QR 985,061 thousands) and QR 56,114 thousands (2010: QR 59,645 thousands) respectively. The 3G license was obtained in two phases, the first during the year 2006 and the second in 2009. The payment terms of the amount outstanding is based on a payment scheme considering the auction prices while obtaining the respective license and is subject to interest at the Certificate of Bank of Indonesia rate.
- (iii) Amounts payable to TRC represents the fair value of obtaining the Radio Spectrum License by a subsidiary in the Hashemite Kingdom of Jordan. As agreed with TRC, the subsidiary should settle the license costs amounting to QR 36,512 thousands in annual installments of QR 4,348 thousands bearing a compound interest rate of 9%.
- (iv) This amount represents the site restoration provision in the books of a subsidiary as of the reporting date. The subsidiary is committed to restore each site as it is vacated.

29 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Accounts payable	3,400,641	3,826,538
Accrued expenses	4,079,854	3,275,951
Interest payable	483,476	392,300
License costs payable (Note i)	2,553	459,759
Amounts due to international carriers	368,396	104,232
Negative fair value of derivatives (Note 31)	382,251	405,241
Other payables (Note ii)	<u>2,500,639</u>	<u>2,011,617</u>
	<u>11,217,810</u>	<u>10,475,638</u>

- (i) License costs payable include current portion of the unpaid license fees payable to Communications and Media Commission (CMC) Iraq and Telecommunications Regulatory Commission (“TRC”) Jordan, as more explained in Notes 28 (i) and 28 (iii) respectively.
- (ii) Included in other payables is an amount of QR 358,515 thousands (2010: QR294,498 thousands) due to a Saudi operator for the usage of network which is net of costs incurred to setup and install the network equipment in the Saudi operator’s facilities as per the BOT agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

30 DIVIDENDS AND BONUS SHARES

Dividends paid and proposed

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Declared, accrued and paid during the year:		
Final dividend for 2010, QR 5 per share (2009 : QR 7 per share)	<u>733,333</u>	<u>1,026,667</u>
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December):		
Final dividend for 2011, QR 3 per share (2010 : QR 5 per share)	<u>528,000</u>	<u>733,333</u>

Bonus shares:

The Board of Directors has proposed the issue of bonus shares of 30% (2010: 20%) of the share capital as at 31 December 2011 amounting to QR 528,000 thousands (2010: QR 293,333 thousands) .

The proposed final dividend and bonus shares issue will be submitted for formal approval at the Annual General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

31 DERIVATIVE FINANCIAL INSTRUMENTS**Derivatives not designated as hedging instruments**

The Group uses cross currency swap contracts, currency forward contracts and interest rate swaps to manage some of the currency transaction exposure and interest rate exposure. These contracts are not designated as cash flow, fair value or net investment hedges and are accounted for as derivative financial instruments:

	<i>Notional amounts</i>	
	<i>2011</i>	<i>2010</i>
	<i>QR'000</i>	<i>QR'000</i>
Cross currency swaps	365,971	1,001,413
Currency forward contracts	977,369	6,155
Interest rate swaps	<u>1,715,099</u>	<u>1,759,708</u>
	<u>3,058,439</u>	<u>2,767,276</u>

	<i>Fair values</i>			
	<i>2011</i>		<i>2010</i>	
	<i>Positive</i>	<i>Negative</i>	<i>Positive</i>	<i>Negative</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Cross currency swaps	8,890	2,803	28,082	6,489
Currency forward contracts	55,101	67	16	105
Interest rate swaps	-	<u>52,691</u>	-	<u>80,754</u>
	<u>63,991</u>	<u>55,561</u>	<u>28,098</u>	<u>87,348</u>

Cash flow hedges

The Group has several interest rates swap and basis swap agreements with a view to limit its floating interest rate exposure on its term loans. Under the interest rate swap arrangements, the Group will pay an agreed fixed interest rate and receive floating interest rates based on US\$ LIBOR.

The swap arrangements qualify for hedge accounting under IAS 39, the hedging relationship and objective, including details of the hedged items and hedging instruments are formally documented as the transactions are accounted as cash flow hedges.

The table below shows the positive and negative fair values of derivative financial instruments held as cash flow hedges together with the notional amounts:

	<i>Negative fair value</i>	<i>Positive fair value</i>	<i>Notional Amounts</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Interest rate swaps			
<i>31 December 2011</i>	<u>326,690</u>	<u>-</u>	<u>23,568,106</u>
<i>31 December 2010</i>	<u>674,897</u>	<u>2,260</u>	<u>23,666,548</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

32 COMMITMENTS

Capital expenditure commitments

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Property, plant and equipment		
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	<u>2,332,682</u>	<u>2,832,404</u>

Intangible assets

For the acquisition of Palestine mobile license	<u>575,558</u>	<u>515,641</u>

Operating lease commitments

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Future minimum lease payments:		
Not later than one year	208,731	180,612
Later than one year and not later than five years	489,708	515,269
Later than five years	<u>248,370</u>	<u>302,158</u>
Total operating lease expenditure contracted for at 31 December	<u>946,809</u>	<u>998,039</u>

33 CONTINGENT LIABILITIES

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Letters of guarantees	<u>532,770</u>	<u>493,341</u>
Letters of credit	<u>17,213</u>	<u>19,341</u>
Claims against the Group not acknowledged as debts	<u>43,386</u>	<u>4,678</u>

Filings against the Company

In 2010, Vodafone Qatar filed a complaint with ictQATAR alleging that Qtel's launch of Virgin Mobile services violated the Telecommunications Law because Virgin Mobile had been established as a third mobile telecommunications provider in Qatar without a license.

Following an investigation, ictQATAR determined that Virgin Mobile was a branded service of Qtel and not an unlicensed third mobile telecommunications provider. However, ictQATAR determined that Qtel's Virgin Mobile was marketed in a way that was misleading for the period commencing 13 May 2010 and ending 18 May 2010. Accordingly, Qtel was issued a notice in 2011 to discontinue the Virgin Mobile operations. As a result Qtel has written down license costs amounting to QR 26.5 million associated with Virgin Mobile during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

34 TAX CLAIM

A tax claim was made to Tunisiana in 2007, relating to the electronic recharge sales made in 2006. The total amount claimed by the Tunisian Tax Authority was equivalent to QR 170,992 thousands without penalties (2010: QR 177,902 thousands).

In May 2007, Tunisiana received the first judgement which reduced the claimed amount to QR 37,156 thousands (2010: QR 38,662 thousands). In 2007, Tunisiana filed an appeal against the first judgement.

Tunisiana has made a total provision of QR 37,156 thousands (2010: QR38,662 thousands) with regards to this claim. In 2009, the court of appeal confirmed its first judgement. Tunisiana has appealed to the cassation court and awaits the decision.

On the basis of the information available at the reporting date, management believes that the provision is adequate.

35 FINANCIAL RISK MANAGEMENT**Objectives and policies**

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, finance leases, and accounts payable. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable, investments and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps, cross currency swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk and operational risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Interest rate risk

The Group's financial assets and liabilities that are subject to interest rate risk comprise bank deposits, loans receivable, available-for-sale debt instruments, interest bearing loans and borrowings. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates and fixed interest instruments maturing within three months from the end of the financial reporting year.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional amount. The swaps are designated to hedge underlying debt obligations. At 31 December 2011, after taking into the effect of interest rate swaps, approximately 73% of the Group's borrowings are at a fixed rate of interest (2010: 75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

35 FINANCIAL RISK MANAGEMENT (continued)**Interest rate risk (continued)**

The following table demonstrates the sensitivity of the consolidated income statement and equity to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated income statement and equity is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	<i>Consolidated income statement</i>	<i>Equity</i>
	<i>+25b.p QR'000</i>	<i>+25 b. p QR'000</i>
<i>At 31 December 2011</i>		
US\$ LIBOR	(25,421)	29,788
Others	(5,934)	-
<i>At 31 December 2010</i>		
US\$ LIBOR	(27,359)	30,034
Others	(1,699)	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in foreign subsidiaries.

The Group had the following significant net exposure denominated in foreign currencies.

	<i>2011 QR'000 Assets (Liabilities)</i>	<i>2010 QR'000 Assets (Liabilities)</i>
Indonesian Rupiah (Rp)	3,779,610	3,662,563
Kuwaiti Dinar (KD)	6,266,327	5,895,629
US Dollars (US\$)	(6,988,248)	(7,650,079)
Euro	(379,798)	(165,817)
Great British Pounds (GBP)	(5,073)	(5,029)
Tunisian Dinar (TND)	4,108,410	861,473
Algerian Dinar (DZD)	3,524,888	1,993,075
Others	(506,210)	(225,921)

The US Dollar denominated balances are not considered to represent a significant currency risk as Qatari Riyal is pegged to US Dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

35 FINANCIAL RISK MANAGEMENT (continued)**Foreign currency risk (continued)**

The following table demonstrates the sensitivity to consolidated income statement and equity for a reasonably possible change in the following currencies against Qatari Riyal, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets and liabilities and the Group's equity on account of translation of foreign subsidiaries. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown:

	<i>Effect on consolidated income statement</i>		<i>Effect on equity</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>+10 %</i>	<i>+10%</i>	<i>+10 %</i>	<i>+10%</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Indonesian Rupiah	-	-	379,961	366,256
KD	-	-	626,633	589,563
Tunisian Dinar	-	-	410,841	86,147
Algerian Dinar	-	-	352,489	199,307
US Dollars	(698,825)	(765,008)	-	-
Euro	(37,980)	(16,582)	-	-
GBP	(508)	(503)	-	-

More than 75% of the Group's foreign currency risks attributable to fluctuations in the US dollar are arising from its subsidiary PT Indosat Tbk. As of 31 December 2011, 27% of the Indosat's U.S. dollar-denominated debts were hedged from exchange rate risk by entering into several cross currency swap and currency forward contracts.

Equity price risk

The following table demonstrates the sensitivity of the fair value reserve to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	<i>Changes in equity indices</i>	<i>Effect on equity</i>
	<i>QR'000</i>	<i>QR'000</i>
2011		
Qatar Exchange (QE)	+10%	53,406
Kuwait Stock Exchange (KSE)	+15%	4,191
2010		
Qatar Exchange (QE)	+10%	49,640
Kuwait Stock Exchange (KSE)	+15%	7,425

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of account receivables, bank balances, available-for-sale debt instruments and loans receivable and positive fair value of derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

35 FINANCIAL RISK MANAGEMENT (continued)**Credit risk (continued)**

The Group provides telecommunication services to various parties. It is the Group's policy that all customers who wish to obtain on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the purchase of service limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to the trade accounts receivable net of allowance for impairment as at 31 December is as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Qatar	666,301	615,062
Other countries	1,799,863	1,565,932
	<u>2,466,164</u>	<u>2,180,994</u>

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments are as follows:

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Available-for-sale debt instruments	119,612	117,227
Bank balances (excluding cash)	21,191,375	25,536,973
Positive fair value of derivatives	63,991	30,358
Amounts due from international carriers	301,766	98,703
Unbilled subscriber revenue	346,890	280,471
Other non-current assets	140,341	140,437
	<u>22,163,975</u>	<u>26,204,169</u>

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks, 84% of bank balances represents balances maintained with local banks in Qatar with a rating of A+ for long term and A1 for short term. Credit risk arising from derivative financial instruments is at any time, limited to those with positive fair values, as recorded on the consolidated statement of financial position. With gross settled derivatives, the Group is also exposed to settlement risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of Groups own reserves and bank facilities. The Group's terms of sales require amounts to be paid within 30 days from the invoiced date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

35 FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk (continued)**

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

	<i>On demand QR'000</i>	<i>Less than 1 year QR'000</i>	<i>1 to 2 years QR'000</i>	<i>2 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2011						
Interest bearing loans and borrowings	-	15,688,275	8,451,072	17,397,395	16,426,944	57,963,686
Accounts payable	-	3,400,641	-	-	-	3,400,641
License costs payable	-	267,451	250,347	765,784	216,366	1,499,948
Other financial liabilities	-	830,508	165,611	-	-	996,119
	<u>-</u>	<u>20,186,875</u>	<u>8,867,030</u>	<u>18,163,179</u>	<u>16,643,310</u>	<u>63,860,394</u>
	<i>On demand QR'000</i>	<i>Less than 1 year QR'000</i>	<i>1 to 2 years QR'000</i>	<i>2 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2010						
Interest bearing loans and borrowings	1,710	4,815,303	15,153,921	19,177,445	20,405,155	59,553,534
Accounts payable	-	3,826,538	-	-	-	3,826,538
License costs payable	-	834,915	789,290	1,850,040	308,795	3,783,040
Other financial liabilities	-	3,405,377	387,574	248,062	-	4,041,013
	<u>1,710</u>	<u>12,882,133</u>	<u>16,330,785</u>	<u>21,275,547</u>	<u>20,713,950</u>	<u>71,204,125</u>

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year end 31 December 2011 and 31 December 2010.

Capital includes share capital, legal reserve, other statutory reserves and retained earnings and is measured at QR 18,796,880 thousands at 31 December 2011 (2010: QR 17,199,591 thousands).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements:

	<i>Carrying amounts</i>		<i>Fair values</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Financial assets				
Available-for-sale investments	2,189,939	1,862,006	2,189,939	1,862,006
Other non-current assets	140,341	140,437	140,341	140,437
Accounts receivable	3,178,811	2,590,526	3,178,811	2,590,526
Bank balances and cash	21,249,832	25,575,667	21,249,832	25,575,667
Financial liabilities				
Interest bearing loans and borrowings	46,246,399	46,852,196	46,387,410	46,210,611
Other non-current liabilities	1,159,337	2,989,567	1,159,337	2,989,567
Accounts payable	7,137,956	7,199,687	7,137,956	7,199,687
Current account with State of Qatar	-	2,891,194	-	2,891,194
Income tax payable	425,221	461,451	425,221	461,451

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

- Cash and short-term deposits, trade accounts receivable, trade accounts payable, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. At the end of the reporting period, the carrying amounts of such receivables, net of allowances, approximate their fair values.
- Fair value of quoted investments is based on price quotations at the end of the reporting period. The fair value of unquoted investments, loans from banks and other financial indebtedness, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates applicable for similar risks and maturity profiles. Fair values of unquoted financial assets are estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counter parties, foreign exchange spot and forward rates and interest rate curves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair values are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Financial assets

	<i>2011 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Available- for- sale investments	2,016,343	677,983	1,244,945	93,415
Derivative financial instruments	63,991	-	63,991	-
	<u>2,080,334</u>	<u>677,983</u>	<u>1,308,936</u>	<u>93,415</u>

	<i>2010 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Available- for- sale investments	1,574,733	662,270	794,584	117,879
Derivative financial instruments	30,358	-	30,358	-
	<u>1,605,091</u>	<u>662,270</u>	<u>824,942</u>	<u>117,879</u>

Financial liabilities

	<i>2011 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Derivative financial instruments	<u>382,251</u>	<u>-</u>	<u>382,251</u>	<u>-</u>

	<i>2010 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Derivative financial instruments	<u>762,245</u>	<u>-</u>	<u>762,245</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Financial liabilities (continued)**

The following table shows a reconciliation of the opening and closing amount of Level 3 financial instruments which were recorded at fair value:

	<i>2011</i>	<i>2010</i>
	<i>QR'000</i>	<i>QR'000</i>
At 1 January	117,879	146,905
Gain / (loss) to consolidated income statement	-	(182)
Revaluation (loss) / gain transferred to fair value reserve	(2,073)	22,295
Purchases / sales	(23,751)	(53,045)
Exchange differences	1,360	1,906
	<u>93,415</u>	<u>117,879</u>
At 31 December	93,415	117,879

37 RELATED PARTY DISCLOSURES**Related party transactions and balances**

Related parties include associated companies including Government and semi Government agencies, associates (refer note 16), major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. In the ordinary course of business the Group enters into transactions with related parties. Pricing policies and terms of transactions are approved by the Group's management.

The Group has significant transactions with the Government of Qatar which mainly represents royalty payable (Note 11). The current account payable to the State of Qatar amounts to QR Nil (2010: QR 2,891,194 thousands). In addition, the Group enters into commercial transactions with other Government related entities in the ordinary course of business which includes of providing telecommunication services, placement of deposits and obtaining credit facilities. In the quarter four of 2011, the Company has settled the dividends and royalty fees amounting to QR 2,785,378 thousands which was included in the current account with the State of Qatar. The remaining outstanding balance of QR 532,557 thousands is included in other payables.

Transactions with Directors and other key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility of planning, directing and controlling the activities of the Group.

Directors' remuneration of QR 10,700 thousands was proposed for the year ended 31 December 2011 (2010: QR 10,700 thousands). In addition, an amount of QR 780 thousands (2010: QR 724 thousands) was provided to members of the Committees of the Board of Directors. The compensation and benefits related to key management personnel amounted to QR 133,935 thousands (2010: QR 153,101 thousands) and end of service benefits amounted to QR 41,087 thousands (2010: QR 15,664 thousands). The remuneration to the Board of Directors has been included under the caption "employees salaries and associated costs" in Selling, general and administration expenses in Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

38 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. All investments are classified as "available-for-sale".

Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20-30% or more and "prolonged" greater than nine (9) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Fair value of unquoted equity investments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

38 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)**Revenue recognition – fair value determination for customer loyalty programmes**

The Group estimates the fair value of points awarded under the customer loyalty programme estimating the weighted average cost for redemption of the points. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences.

Hedge effectiveness for cash flow hedges

Management reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The hedge was found to be effective. The fair values of the interest rate swaps and basis swaps are determined based on future expected LIBOR rates.

39 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to individual cash generating units (CGUs) for impairment testing as follows:

	<i>Carrying value 2011 QR'000</i>	<i>Carrying value 2010 QR'000</i>
Cash generating units		
Kuwait	616,229	609,162
Algeria	2,320,382	2,293,787
Tunisia	4,533,185	2,218,131
Indonesia	4,828,671	4,870,071
Iraq	353,408	353,408
Others	71,607	76,069
	<u>12,723,482</u>	<u>10,420,628</u>

Goodwill was tested for impairment as at 31 December 2011. The recoverable amount of the CGUs was determined based on value in use calculated using cash flows projections by senior management covering a period of five to ten years. In case the management considers, the annual growth rate of the CGUs being assessed will differ from the average growth rates for the countries concerned, a period of more than five years is used.

Key Assumptions used in value in use calculations**Key Assumptions**

The principal assumptions used in the projections relate to the number of subscribers, in roaming revenue, average revenues per user, operating costs, taxes and EBITDA. The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

Discount rates

Discount rates reflect management's estimate of the risks specific to each unit. Discount rates are based on a weighted average cost of capital for each CGU. In determining the appropriate discount rates for each unit, the yield on a ten-year US Treasury bond and specific risk factors for each country has been taken into consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

39 IMPAIRMENT TESTING OF GOODWILL (continued)**Growth rate estimates**

For the periods beyond that covered by the projections, long-term growth rates are based on management's best estimates of the growth rates relevant to telecommunications industry in the particular country.

Cash generating units	<i>(Expressed in percentage)</i>			
	<i>Discount rate</i>		<i>Terminal value growth rate</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Kuwait	10.3%	10.6%	2.75%	2.75%
Algeria	10.4%	12.2%	2.75%	2.75%
Tunisia	10.0%	10.1%	2.75%	2.75%
Indonesia	12.1%	12.7%	2.75%	2.75%
Iraq	14.9%	15.1%	2.75%	2.75%

Management considers that changes to the discount rate could cause the carrying value of the following CGUs to exceed their recoverable amount. If the discount rate is increased by the percentages as mentioned below, the recoverable amount equals the carrying value:

	<i>2011</i>	<i>2010</i>
Kuwait	5.2%	1.2%
Algeria	6.4%	1.45%
Tunisia	2.7%	1.45%
Indonesia	3.4%	6.48%
Iraq	70.6%	36.80%

During the year, based on impairment testing, the Group has recorded an impairment of QR 196,120 thousand in respect of certain assets in some subsidiaries.

40 SEGMENT INFORMATION

For management reporting purposes, the Group is organised into business units based on their geographical area covered, and has six reportable segments as follows:

1. Qtel is a provider of domestic and international telecommunication services within the State of Qatar;
2. Asiacell is a provider of mobile telecommunication services in Iraq;
3. Wataniya is a provider of mobile telephone and pager systems and services in Kuwait and elsewhere in the Middle East and North African (MENA) region;
4. Indosat is a provider of telecommunication services such as cellular services, fixed telecommunications, multimedia, data communication and internet services in Indonesia;
5. Nawras is a provider of mobile telecommunication services in Oman and has been awarded a license to operate fixed telecommunication services; and
6. Others include some of the Group's subsidiaries which are providers of wireless and telecommunication services.

Management monitors the operating results of its operating subsidiaries separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of these reportable segments. Transfer pricing between reportable segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

40 SEGMENT INFORMATION (continued)

Operating segments

The following tables' present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2011 and 2010:

Year ended 31 December 2011

	Qtel	Asiacell	Wataniya	Indosat	Nawras	Others	Adjustments and eliminations	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Revenue								
Third party	5,590,591	5,859,891	9,526,760	8,526,287	1,932,305	329,512	-	31,765,346
Inter-segment	113,775	73,935	115,628	23,780	6,849	170,298	(504,265) (i)	-
Total revenue	5,704,366	5,933,826	9,642,388	8,550,067	1,939,154	499,810	(504,265)	31,765,346
Results								
Segment profit before tax	1,506,855	2,010,793	3,643,298	495,667	566,881	(654,459)	(714,845) (ii)	6,854,190
Depreciation and amortisation	652,536	810,090	1,574,449	2,905,305	265,467	92,012	714,845 (iii)	7,014,704
Finance costs (net)	46,160	91,882	83,214	786,389	30,305	864,365	-	1,902,315
Share of profit / (loss) of equity-accounted investees	4,450	-	-	-	-	(61,329)	-	(56,879)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

40 SEGMENT INFORMATION (continued)

Year ended 31 December 2010

Revenue	Qtel QR '000	Asiacell QR '000	Wataniya QR '000	Indosat QR '000	Nawras QR '000	Others QR '000	Adjustments and Eliminations QR '000	Total QR '000
Third party	5,496,805	4,979,835	6,942,710	7,929,272	1,855,496	172,464	-	27,376,582
Inter-segment	100,362	74,484	75,632	12,411	8,687	249,021	(520,597) (i)	-
Total revenue	5,597,167	5,054,319	7,018,342	7,941,683	1,864,183	421,485	(520,597)	27,376,582
Results								
Segment profit before tax	2,135,935	1,500,009	1,282,980	513,641	592,371	(601,037)	(790,427) (ii)	4,633,472
Depreciation and amortisation	641,332	688,302	1,269,382	2,632,297	229,587	66,089	790,427 (iii)	6,317,416
Finance costs (net)	237,058	95,011	90,436	859,081	36,313	486,488	-	1,804,387
Share of profit / (loss) of equity-accounted investees	(88,172)	-	-	-	-	(41,464)	-	(129,636)

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Segment profit before tax does not include the following:

	2011 QR '000	2010 QR '000
Amortisation of additional intangibles identified in PPA	(714,845)	(790,427)
	(714,845)	(790,427)

(iii) Amortisation relating to additional intangibles identified from business combination was not considered as part of segment expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

40 SEGMENT INFORMATION (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2011 and 2010.

	<i>Qtel</i> <i>QR'000</i>	<i>Asiacell</i> <i>QR'000</i>	<i>Wataniya</i> <i>QR'000</i>	<i>Indosat</i> <i>QR'000</i>	<i>Nawras</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Adjustments and</i> <i>Eliminations</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Segment assets (i)								
At 31 December 2011	27,298,376	8,004,974	26,002,367	23,937,514	2,832,775	1,394,438	12,723,482	102,193,926
At 31 December 2010	29,312,421	7,838,815	25,126,862	24,634,552	2,754,167	1,311,131	10,420,628	101,398,576
Capital expenditure (ii)								
At 31 December 2011	1,129,661	989,096	1,847,196	2,451,670	386,877	73,070	-	6,877,570
At 31 December 2010	1,323,468	1,351,582	1,366,259	2,216,969	701,264	176,076	-	7,135,618
Equity- accounted investees								
At 31 December 2011	1,475,374	-	-	-	-	115,967	-	1,591,341
At 31 December 2010	1,948,889	-	-	-	-	177,426	-	2,126,315

Notes:

- (i) Goodwill amounting to QR 12,723,482 thousands (31 December 2010: QR 10,420,628 thousands) was not considered as part of segment assets as goodwill is not used by the Chief Decision Making officers for strategic decision making purposes .
- (ii) Capital expenditure consists of additions to property, plant and equipment and intangibles excluding goodwill and assets from business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

41 CONTRIBUTION TO SOCIAL AND SPORTS FUND

According to Qatari Law No. 13 for the year 2008 and the related clarifications issued in January 2010, the group is required to contribute 2.5% of its annual net profits to the state social and sports fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income. Hence, this is recognised in statement of changes in equity.

During the year, the group appropriated an amount of QR 32,313 thousands (2010: QR 51,553 thousands) representing 2.5% of the net profit generated from Qatar Operations.

42 COMPARATIVE INFORMATION**Reclassification of comparative financial statements**

Corresponding figures for 2010 have been reclassified in order to conform with the presentation for the current year. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or shareholder's equity.

	<i>As reclassified QR'000</i>	<i>As reported in 2010 QR'000</i>
<i>Consolidated income statement</i>		
Revenue	27,376,582	27,178,999
Operating expenses	(8,734,647)	(8,537,064)
<i>Consolidated statement of financial position</i>		
Other statutory reserves	404,580	-
Retained earnings	8,834,207	9,238,787
Employee benefits	913,325	690,982
Other non-current liabilities	3,185,399	3,407,742

43 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 7 February 2012, one of the Group's subsidiaries PT Indosat Tbk entered into an asset purchase agreement to sell 2,500 of its telecommunication towers to another company in Indonesia for a total potential consideration of US\$ 519 million. On the same date, the company also entered into a master lease agreement with the buyer to leaseback the 2,500 site spaces on telecommunication towers for an initial period of ten years.

Qatar Telecom (Qtel) Q.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR TELECOM (QTEL) Q.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Telecom (Qtel) Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR TELECOM (QTEL) Q.S.C. (CONTINUED)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal Requirements

Furthermore, in our opinion proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.



Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236



Date: 1 March 2011
Doha

CONSOLIDATED INCOME STATEMENT

Year Ended 31 December 2010

	Notes	2010 QR'000	2009 QR'000 (Restated)
Revenue	6	27,178,999	24,025,256
Operating expenses	7	(8,537,064)	(7,327,606)
Selling, general and administrative expenses	8	(6,047,570)	(5,476,326)
Depreciation and amortisation	9	(6,317,416)	(5,484,241)
Finance costs – Net	10	(1,804,387)	(1,498,233)
Impairment loss on intangibles, investment in associates and available-for-sale investments		(46,250)	(386,776)
Other income (expenses) – Net	11	657,611	1,143,970
Share of results of associates	17	(129,636)	9,358
Royalties and fees	12	(320,815)	(459,154)
PROFIT BEFORE TAX		4,633,472	4,546,248
Income tax	20	(545,550)	(617,958)
PROFIT FOR THE YEAR		4,087,922	3,928,290
Attributable to:			
Shareholders of the parent		2,887,843	2,825,329
Non-controlling interests		1,200,079	1,102,961
		4,087,922	3,928,290
BASIC AND DILUTED EARNINGS PER SHARE (attributable to shareholders of the parent) (expressed in QR per share)	13	19.69	19.26

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2010

	<i>Note</i>	2010 QR'000	2009 QR'000 (Restated)
Profit for the year		4,087,922	3,928,290
Other comprehensive income			
Net gain on available-for-sale investments	26	248,995	212,788
Net gain on cash flow hedges	26	3,748	76,627
Exchange differences on translation of foreign operations	26	1,053,835	1,636,833
Share of other comprehensive income of associates	26	1,473	6,276
Other comprehensive income for the year, net of tax		1,308,051	1,932,524
Total comprehensive income for the year		5,395,973	5,860,814
Attributable to:			
Shareholders of the parent		3,948,758	4,417,280
Non-controlling interests		1,447,215	1,443,534
		5,395,973	5,860,814

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

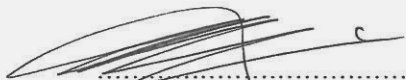
	Notes	2010 QR'000	2009 QR'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	14	32,172,984	29,766,515
Intangible assets	15	33,279,183	34,104,052
Investment in associates	17	2,126,315	1,944,635
Available-for-sale investments	18	1,862,006	1,698,758
Other non-current assets	19	967,889	1,128,131
Deferred tax asset	20	357,998	353,202
		<u>70,766,375</u>	<u>68,995,293</u>
Current assets			
Inventories	21	316,584	254,531
Accounts receivable and prepayments	22	4,739,950	4,199,699
Bank balances and cash	23	25,575,667	11,511,570
		<u>30,632,201</u>	<u>15,965,800</u>
TOTAL ASSETS		<u>101,398,576</u>	<u>84,961,093</u>
EQUITY AND LIABILITIES			
Attributable to shareholders of the parent			
Share capital	24	1,466,667	1,466,667
Legal reserve	25	6,494,137	6,494,137
Fair value reserve		49,996	(185,501)
Translation reserve		1,780,473	955,055
Retained earnings		9,238,787	6,889,160
		<u>19,030,060</u>	<u>15,619,518</u>
Non-controlling interests		<u>15,196,832</u>	<u>13,834,749</u>
Total equity		<u>34,226,892</u>	<u>29,454,267</u>

Continued.....

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2010

	<i>Notes</i>	<i>2010 QR'000</i>	<i>2009 QR'000 (Restated)</i>
Non-current liabilities			
Interest bearing loans and borrowings	27	43,742,821	33,798,433
Employees benefits	28	690,982	605,490
Deferred tax liability	20	1,631,787	1,531,267
Other non-current liabilities	29	<u>3,407,742</u>	<u>3,806,087</u>
		<u>49,473,332</u>	<u>39,741,277</u>
Current liabilities			
Accounts payable and accruals	30	10,475,638	9,674,195
Current account with State of Qatar		2,891,194	2,803,015
Deferred income		1,351,216	1,012,438
Interest bearing loans and borrowings	27	2,518,853	1,884,409
Income tax payable		<u>461,451</u>	<u>391,492</u>
		<u>17,698,352</u>	<u>15,765,549</u>
Total liabilities		<u>67,171,684</u>	<u>55,506,826</u>
TOTAL EQUITY AND LIABILITIES		<u>101,398,576</u>	<u>84,961,093</u>


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


.....
Ali Shareef Al-Emadi
Member of the Board

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2010

	Notes	2010 QR'000	2009 QR'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		4,633,472	4,546,248
Adjustments for:			
Depreciation and amortization	9	6,317,416	5,484,241
Dividend and interest income	10,11	(587,972)	(475,209)
Impairment loss on intangibles, investment in associates and available-for-sale investments		46,250	386,776
Profit on disposal of available-for-sale investments	11	(40,516)	(16,398)
(Profit) Loss on disposal of plant and equipment	11	(26,024)	771
Finance costs	10	2,366,592	1,944,868
Negative goodwill released to the income statement	15	-	(78,224)
Provision for employees end of service benefits	28	82,986	113,680
Share of results of associates	17	129,636	(9,358)
		12,921,840	11,897,395
Working capital changes:			
Inventories		(62,053)	21,470
Receivables		(540,251)	(333,533)
Payables		757,159	708,613
Cash from operations		13,076,695	12,293,945
Finance costs paid		(2,418,416)	(1,489,844)
Employees' end of service benefits paid	28	(13,277)	(52,877)
Income tax paid		(449,599)	(783,095)
Net cash from operating activities		10,195,403	9,968,129
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(6,941,775)	(8,392,979)
Additions to intangible assets	15	(193,843)	(1,123,600)
Acquisition of subsidiaries, net of cash acquired	4	-	(20,733)
Proceeds from changes in ownership interest	4	624,777	-
Additional investment in associates		(156,001)	-
Purchase of available-for-sale investments		(19,866)	(31,812)
Proceeds from disposal of plant and equipment		564,544	11,669
Proceeds from sale of available-for-sale investments		138,203	207,609
Net movement in other non-current assets		71,973	(353,771)
Net movement in restricted deposits		4,268	173,789
Dividend and interest income		587,972	475,209
Net cash used in investing activities		(5,319,748)	(9,054,619)

Continued.....

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended 31 December 2010

	<i>Notes</i>	2010 QR'000	2009 QR'000 <i>(Restated)</i>
FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		21,298,543	15,372,155
Repayment of interest bearing loans and borrowings		(10,698,669)	(7,456,034)
Acquisition of non-controlling interest		(4,948)	(3,009,888)
Capital contribution by non-controlling interest		246,158	-
Additions to deferred financing costs	27	(335,870)	(398,839)
Dividends paid to shareholders of the parent		(462,000)	(660,000)
Dividend paid to non-controlling interests		(254,869)	(265,729)
Net movement in non-controlling interests		(6,982)	(18,349)
Net movement in other non-current liabilities		(398,345)	74,350
Net cash from financing activities		9,383,018	3,637,666
INCREASE IN CASH AND CASH EQUIVALENTS		14,258,673	4,551,176
Net foreign exchange differences		(187,076)	(715,504)
Cash and cash equivalents at 1 January		11,486,323	7,650,651
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	23	25,557,920	11,486,323

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2010

	<i>Attributable to shareholders of the parent</i>						<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Translation reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>QR '000</i>	<i>QR '000</i>
At 1 January 2010 (Restated)	1,466,667	6,494,137	(185,501)	955,055	6,889,160	15,619,518	13,834,749	29,454,267
Profit for the year	-	-	-	-	2,887,843	2,887,843	1,200,079	4,087,922
Other comprehensive income	-	-	235,497	825,418	-	1,060,915	247,136	1,308,051
Total comprehensive income	-	-	235,497	825,418	2,887,843	3,948,758	1,447,215	5,395,973
Dividend paid for 2009 (Note 31)	-	-	-	-	(1,026,667)	(1,026,667)	-	(1,026,667)
Dividends of subsidiaries	-	-	-	-	-	-	(254,869)	(254,869)
Transfer to social and sports fund (Note 42)	-	-	-	-	(51,553)	(51,553)	-	(51,553)
Acquisition of non-controlling interests (Note 4)	-	-	-	-	(3,956)	(3,956)	(992)	(4,948)
Changes in ownership interests (Note 4)	-	-	-	-	543,960	543,960	177,711	721,671
Net movement in non-controlling interests	-	-	-	-	-	-	(6,982)	(6,982)
At 31 December 2010	1,466,667	6,494,137	49,996	1,780,473	9,238,787	19,030,060	15,196,832	34,226,892

Continued

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year Ended 31 December 2010

	<i>Attributable to shareholders of the parent</i>						<i>Non-controlling interests</i> QR '000	<i>Total equity</i> QR '000
	<i>Share capital</i> QR '000	<i>Legal reserve</i> QR '000	<i>Fair value reserve</i> QR '000	<i>Translation reserve</i> QR '000	<i>Retained earnings</i> QR '000	<i>Total</i> QR '000		
At 1 January 2009, as previously reported	1,466,667	6,494,137	(458,678)	(363,719)	5,561,908	12,700,315	14,237,928	26,938,243
Adjustment due to change in treatment of Prepaid Land rights (Note 42)	-	-	-	-	11,090	11,090	6,105	17,195
At 1 January 2009 (restated)	1,466,667	6,494,137	(458,678)	(363,719)	5,572,998	12,711,405	14,244,033	26,955,438
Profit for the year (restated)	-	-	-	-	2,825,329	2,825,329	1,102,961	3,928,290
Other comprehensive income	-	-	273,177	1,318,774	-	1,591,951	340,573	1,932,524
Total comprehensive income	-	-	273,177	1,318,774	2,825,329	4,417,280	1,443,534	5,860,814
Dividend for 2008 (Note 31)	-	-	-	-	(1,466,667)	(1,466,667)	-	(1,466,667)
Dividends of subsidiaries	-	-	-	-	-	-	(265,729)	(265,729)
Transfer to social and sports fund (Note 42)	-	-	-	-	(42,500)	(42,500)	-	(42,500)
Acquisition of non-controlling interests (Note 4)	-	-	-	-	-	-	(1,568,740)	(1,568,740)
Net movement in non-controlling interests	-	-	-	-	-	-	(18,349)	(18,349)
At 31 December 2009 (Restated)	1,466,667	6,494,137	(185,501)	955,055	6,889,160	15,619,518	13,834,749	29,454,267

The attached notes 1 to 43 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Public Telecommunications Corporation (the “Corporation”) was formed on 29 June 1987 domiciled in the State of Qatar by Law No. 13 of 1987 to provide domestic and international telecommunication services within the State of Qatar.

The Corporation was transformed into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. (the “Company”) on 25 November 1998, pursuant to Law No. 21 of 1998. Under that Law, Qatar Telecom (Qtel) Q.S.C. was exclusively entitled to provide domestic and international telecommunication services in Qatar for a period of 15 years and had the right to own, operate, maintain and develop telecommunications network within and outside Qatar.

The privileges granted to Qatar Telecom (Qtel) Q.S.C. under Law No. 21 of 1998 was cancelled from the effective date of Law No. 34 of 2006 issued on 6 November 2006. In accordance with this Law, the powers and competencies previously vested on Qatar Telecom (Qtel) Q.S.C. in connection with the organization of telecommunications shall pass to the Supreme Council of Information and Communication Technology (“ictQATAR”) and also the payment of the annual fee (royalty) prescribed under Article 4 of Law No. 6 of 2002 shall be discontinued from the date another operator licensed under the Law commences telecommunications activities.

The Company’s registered office is located at 100 Westbay Tower, Doha, State of Qatar.

The Company and its subsidiaries (together referred to as the “Group”) provides domestic and international telecommunication services in Qatar and elsewhere in the Asia and MENA region.

The consolidated financial statements of the Group for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 1 March 2011.

2 BASIS OF CONSOLIDATION

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries (together referred to as the “Group”). These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. In addition, control may exist without having 50% voting power through ownership or agreements, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

2 BASIS OF CONSOLIDATION (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Some of the above-mentioned requirements were applied on a prospective basis. However the following differences, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 have not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

2 BASIS OF CONSOLIDATION (continued)

The principal subsidiaries of the Group, incorporated in the consolidated financial statements of Qatar Telecom (Qtel) Q.S.C are as follows:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Group effective shareholding percentage</i>	
		<i>31 December 2010</i>	<i>31 December 2009</i>
Qtel Investment Holdings S.P.C	Bahrain	100%	100%
Qtel International Investments L.L.C.	Qatar	100%	100%
Qtel International L.L.C.	Qatar	100%	100%
Qtel South East Asia Holding S.P.C (“QSEAH”)	Bahrain	100%	100%
Qtel West Bay Holding S.P.C	Bahrain	100%	100%
Qatar Telecom (Asia) Pte. Ltd. (“QTA”)	Singapore	100%	100%
Qtel Al Dafna Holding S.P.C (“QDH”)	Bahrain	100%	100%
Qtel Al Khore Holding S.P.C (“QKH”)	Bahrain	100%	100%
Al-Wataniya International for Intellectual Properties B.S.C	Bahrain	100%	100%
IP Holdings Limited (formerly known as Qtel Gulf Holdings Limited)	Cayman Islands	100%	100%
Qtel Gharafa Holdings Limited	Cayman Islands	100%	100%
wi-tribe Asia Limited (“WiTA”)	Cayman Islands	100%	100%
World Trade Glory Ltd	British Virgin Islands	100%	100%
JRAA – JHI Corp	Philippines	100%	100%
Qatar Telecom (Qtel Asia) Pte. Ltd. (“QA”)	Singapore	100%	100%
Indonesia Communications Limited (“ICLM”)	Republic of Mauritius	100%	100%
QTEL International Finance Limited	Bermuda	100%	100%
TDC–Qtel MENA Investcom B.S.C. (“MENA”)	Bahrain	100%	79.4%
Qtel Malta Holding Company Ltd.	Malta	100%	-
Omani Qatari Telecommunications Company S.A.O.G. (formerly known as Omani Qatari Telecommunications Company S.A.O.C.)(“Nawras”)	Sultanate of Oman	55.0%	55.6%
National Mobile Telecommunications Company K.S.C. (“Wataniya Telecom”)	Kuwait	52.5%	52.5%
Wataniya International FZ – L.L.C. (WTI)	United Arab Emirates	52.5%	52.5%
Al-Bahar United Company W.L.L. (Fono)	Kuwait	52.5%	52.5%
Al Wataniya Gulf Telecommunications Holding Company S.P.C (“WIH”)	Bahrain	52.5%	52.5%
Wataniya Telecom Maldives Pvt Ltd (WTM)	Republic of Maldives	52.5%	52.5%
Starlink W.L.L.	Qatar	60.0%	51.0%
Wataniya Telecom Algeria S.P.A. (WTA) (i)	Algeria	46.3%	46.3%
WARF Telecom International Private Limited (WARF) (i)	Republic of Maldives	34.1%	34.1%
Public Telecommunication Company Ltd. (PTC) (i)	Saudi Arabia	29.2%	29.2%
Wataniya Palestine Mobile Telecommunication Public Shareholding Company (Formerly known as Wataniya Palestine Mobile Telecommunication Company Limited) (WPT) (i)	Palestine	25.4%	29.9%
Raywood Inc. (Raywood) (ii)	Cayman Islands	61.2%	61.2%
Al-Rowad General Services Limited (AL Rowad) (ii)	Iraq	61.2%	61.2%
Asiacell Communications L.L.C. (“ACL, Iraq”) (ii)	Iraq	30.0%	30.0%
wi-tribe Limited (“WiT”)	Cayman Islands	86.1%	77.5%
wi-tribe Limited – Jordan P.S.C.	Jordan	86.1%	77.5%
wi-tribe Pakistan Limited	Pakistan	86.1%	77.5%
PT Indosat Tbk	Indonesia	65.0%	65.0%
Indosat Finance Company B.V. (“IFB”)	Netherlands	65.0%	65.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

2 BASIS OF CONSOLIDATION (continued)

Indosat International Finance Company B.V. ("IIFB")	Netherlands	65.0%	65.0%
Indosat Singapore Pte. Ltd. ("ISP")	Singapore	65.0%	65.0%
PT Indosat Mega Media ("IMM")	Indonesia	64.9%	64.9%
PT Starone Mitra Telekomunikasi ("SMT") (iii)	Indonesia	47.2%	47.2%
PT Aplikasi Lintasarta ("Lintasarta") (iii)	Indonesia	47.0%	47.0%
PT Artajasa Pembayaran Elektronik ("APE") (iii)	Indonesia	25.9%	25.9%
Indosat Palapa Company BV ("IPBV")	Netherlands	65.0%	-
Indosat Mentari Company BV ("IMBV")	Netherlands	65.0%	-
PT Lintas Media Danawa ("LMD") (iii)	Indonesia	32.9%	-

Notes:

- (i) The Group has the power, indirectly through Wataniya Telecom by virtue of Wataniya Telecom having majority of the voting interests in these companies, to govern the financial and operating policies of Wataniya Telecom Algeria S.P.A. (WTA), WARF Telecom International Private Limited (WARF), Public Telecommunication Company Ltd. (PTC) and Wataniya Palestine Mobile Telecommunications P.S.C. and accordingly, these companies have been considered as subsidiaries of the Group.
- (ii) The Group incorporated Raywood Inc ("Raywood"), a special purpose entity registered in Cayman Islands with 61.2% voting interest in Raywood held by the Group to carry out investment activities in Iraq. Raywood established Al-Rowad General Services Limited ("AL Rowad") in Iraq as a wholly owned subsidiary to acquire 49% voting interests in Asia Cell Communications L.L.C. ("ACL, Iraq"), a company with license to provide telecommunication services in Iraq. The Group has the power to govern the financial and operating policies of ACL, Iraq by virtue of the shareholders' agreements entered into between Raywood, AL Rowad and ACL, Iraq to appoint a majority (4 out of 7) of Board of Directors through Raywood and, accordingly ACL, Iraq is considered as a subsidiary of the Group.
- (iii) The Group has the power, indirectly through PT Indosat Tbk ("Indosat") by virtue of Indosat having more than 51% of the voting interest or control in these companies, to govern the financial and operating policies of PT Starone Mitra Telekomunikasi ("SMT"), PT Aplikasi Lintasarta ("Lintasarta"), PT Artajasa Pembayaran Elektronik ("APE") and PT Lintas Media Danawa ("LMD") and accordingly, these companies have been considered as subsidiaries of the Group. LMD was an associate company up to 24 November 2010 when Indosat through its subsidiary PT Aplikasi Lintasarta ("Lintasarta") increased its stake from 35% to 55%. In December 2010, Lintasarta further increased its stake in LMD from 55% to 70%.

Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1 BASIS OF PREPARATION****Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value of available-for-sale investments and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Qatari Riyals, which is the Company's functional and presentation currency, rounded off to the nearest thousand (QR'000) except where otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS and IFRIC interpretations effective as of 1 January 2010. The following amendments and interpretations became effective in 2010:

<i>Standard/ Interpretation</i>	<i>Content</i>
IFRS 2	Share-based Payment
IFRS 3	Business combinations
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items
IFRIC 17	Distribution of non-cash assets to owners

The principal effects of these changes are as follows:

IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The Group applies the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and did not have any impact on the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)
IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group, except as discussed below

IAS 17 (amendment)

Based on IAS 17 (amendment) made during 2009 which is effective from 1 January 2010, the standard now requires an entity to classify leases over land as finance or operating leases. The Group has reclassified certain long term land lease rights as finance lease retrospectively. The effect of the reclassification has been discussed in Note 42 (i) b.

IFRS 8 Operating Segment Information:

Clarifies that segment assets and liabilities need to be reported only when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker reviews segment assets and liabilities, the Group has continued to disclose this information in Note 41.

IAS 7 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)***IAS 36 Impairment of Assets:*

The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

<i>Standard/ Interpretation</i>	<i>Content</i>
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IAS 1	Presentation of Financial Statements
IAS 17	Leases
IAS 34	Interim Financial Reporting
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 16	Hedge of a Net Investment in a Foreign Operation

3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

The following standards, amendments and interpretations have been issued but are mandatory for the accounting periods beginning on or after 1 January 2011 or later periods and are expected to be relevant to the Group:

<i>Standard/ Interpretation</i>	<i>Content</i>	<i>Effective date</i>
IAS 24	Related Party Disclosures (Amendment)	1 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues (Amendment)	1 January 2011
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IFRIC 14	Prepayments of a minimum funding requirement (Amendment)	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2011
Improvements to IFRSs	Issued in May 2010	1 January 2011

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group. The Group did not early adopt any new or amended standards or interpretations in 2010.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Revenue**

Revenue represents the fair value of consideration received or receivable for communication services and equipment sales net of discounts and sales taxes. Revenue from rendering of services and sale of equipment is recognised when it is probable that the economic benefits associated with the transaction shall flow to the Group and the amount of revenue and the associated costs can be measured reliably.

The Group principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, connection fees, equipment sales and other related services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The specific revenue recognition criteria applied to significant elements of revenue are set out below:

Revenue from rendering of services:

Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Revenue arising from separable installation and connection services are recognised when it is earned. Subscription fee is recognised as revenue as the services are provided.

Interconnection revenue:

Revenues from network interconnection with other domestic and international telecommunications carriers are recognised based on the actual recorded traffic minutes.

Sales of prepaid cards:

Sale of prepaid cards is recognised as revenue based on the actual utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship.

Sales of equipment:

Revenue from sales of peripheral and other equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer which is normally when the equipment is delivered and accepted by the customer.

Other income

Other income represents income generated by the Group that arises from activities outside of the provision for communication services and equipment sales. Key components of other income are recognised as follows:

Interest income:

Interest income is recognised on an accrual basis using the effective interest rate method.

Rental income:

Rental income is accounted for on a time proportion basis.

Dividend income:

Dividend income is recognised when the Group's right to receive the dividend is established.

Taxation

Some of the subsidiaries and the joint venture are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax:

Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Current income tax: (continued)*

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the financial reporting year.

Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences at the end of the financial reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unutilised tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unutilised tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each end of the financial reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each end of the financial reporting year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the financial reporting year.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Land is not depreciated.

The cost of property, plant and equipment is depreciated with effect from the month following the date of first use over the estimated useful lives of the assets as follows;

Buildings	5 – 20 years
Exchange and network assets	5 – 15 years
Subscriber apparatus and other equipment	1 – 8 years
Land lease rights under finance lease	50 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Business combinations and goodwill (continued)
Business combinations from 1 January 2010 (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the nature of the intangible asset.

The useful lives of intangible assets are assessed to be either finite or indefinite.

A summary of the useful lives and amortisation methods of Group's intangible assets other than goodwill are as follows:

		<i>License costs</i>	<i>Customer contracts and related customer relationships</i>	<i>Brand/Trade names</i>	<i>Concession intangible assets</i>
Useful lives	:	Finite (10 – 50 years)	Finite (2 – 8 years)	Finite (8-25 years)	Finite (15 years)
Amortisation method used	:	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability	Amortised on a straight line basis over the periods of availability
Internally generated or acquired	:	Acquired	Acquired	Acquired	Acquired

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession arrangements

The Group accounts for service concession arrangements where it is an operator in accordance with IFRIC 12 “Service concession arrangements”. Infrastructure within the scope of this interpretation is not recognised as property and equipment of the Group as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the Group. Accordingly, the Group recognises such assets as “Concession intangible assets”. The Group recognises these intangible assets at cost in accordance with IAS 38. These intangible assets are amortised over the period in which it is expected to be available for use by the Group. The Group recognises contract revenue and costs in accordance with IAS 11, Construction Contracts. The costs of each activity, namely construction, operation and maintenance are recognised as expenses by reference to the stage of completion of the related activity. Contract revenue, if any, i.e. the fair value of the amount due from the grantor for the activity undertaken, is recognised at the same time. The amount due from the grantor meets the definition of a receivable in IAS 39 Financial Instruments: Recognition and Measurement. The receivable is measured initially at fair value. It is subsequently measured at amortised cost.

The Group accounts for revenue and costs relating to the services in accordance with IAS 18 as described in the accounting policy for revenue recognition. Borrowing costs attributable to the arrangement are recognised as an expense in the period in which they are incurred, unless the Group has a contractual right to receive an intangible asset (a right to charge user of the public service). If the Group has a contractual right to receive an intangible asset, borrowing costs attributable to the arrangement are capitalised during the construction phase of the arrangement.

Interest in a joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Investment in associates

The Group’s investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group’s share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group’s share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates’ accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale investments:

Available-for-sale investments are recognised initially at fair value plus directly attributable costs. After initial recognition, available for sale investments are subsequently remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of equity under other comprehensive income until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the year. Interest earned on the investments is reported as interest income using the effective interest rate. Dividends earned on investments are recognised in the consolidated income statement as "Dividend income" when the right to receive dividend has been established. All regular way purchases and sales of investment are recognised on the trade date when the Group becomes or cease to be a party to contractual provisions of the instrument.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the financial reporting year. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. For investment in funds, fair value is determined by reference to net asset values provided by the fund administrators.

Due to the uncertain nature of cash flows arising from the certain of the Group's unquoted equity investments, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less any impairment losses.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. Impairment losses on equity instruments recognised in the consolidated income statement are not subsequently reversed. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement.

When the investment is disposed off, the cumulative gain or loss previously recorded in equity is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include those expenses incurred in bringing each product to its present location and condition. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each end of the reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If any such evidence exists, impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those qualify for capitalisation.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Group, whether billed by the supplier or not.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Employee benefits

End of service benefits:

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

Pensions and other post employment benefits:

Pension costs under the Group's defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, expected return on plan assets and annual rate of increase in compensation. Actuarial gains or losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the present value of the defined benefit obligation or fair value of plan assets, whichever is greater, at that date. These gains or losses in excess of the 10% corridor are recognised on a straight-line basis over the expected average remaining working lives of the employees. Past service cost is recognised over the estimated average remaining service periods of the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pensions and other post employment benefits: (continued)

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined with reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 37.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currencies

The Group's consolidated financial statements are presented in Qatari Riyals (QR), which is also the Parent Company's functional currency (the currency of the primary economic environment in which the Parent Company) operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the end of the financial reporting year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the end of the financial reporting year and their income statements are translated at average exchange rates. The exchange differences arising on the translation are included as other comprehensive income and are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging

The fair value of cross currency swaps and forward currency contracts is calculated by reference to respective instrument current exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is calculated by reference to the market valuation of the swap contracts.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting change in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods of which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income and is taken directly to equity, while any ineffective portion is recognised immediately in the consolidated income statement.

The Group uses interest rate swap contracts to hedge its risk associated primarily with interest rate fluctuations relating to the interest charged on its interest bearing loans and borrowings. These are included in the consolidated statement of financial position at fair value and any resultant gain or loss on interest rate swaps contracts that qualify for hedge accounting is recognised as other comprehensive income and subsequently recognised in the consolidated income statement when the hedged transaction affects profit or loss.

The Group uses cross currency swap contracts and forward currency contracts to hedge its risks associated with foreign exchange rate fluctuations. These are included in the consolidated statement of financial position at fair value and any subsequent resultant gain or loss on cross currency swaps and forward currency contracts is recognised in the consolidated income statement.

Embedded derivative is presented with the host contract on the consolidated statement of financial position which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Derivative financial instruments and hedging (continued)***Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS**Acquisition of non-controlling interests and changes in percentage holding in 2010****4.1 Acquisition of non-controlling interest in Starlink WLL**

On 20 December 2010, the Group acquired an additional 9% stake in Starlink W.L.L. As a result, the group increased its stake in Starlink W.L.L. from 51% to 60%. A cash consideration of QR 4,948,000 was paid to the non-controlling interests of Starlink W.L.L. The carrying value of the net assets immediately prior to the additional acquisition of Starlink W.L.L. was QR 11,017,000 and the share of carrying value of the additional interest acquired was QR 992,000. The excess of the cash consideration over the carrying values of net assets acquired amounting to QR 3,956,000 has been recognised in retained earnings within equity.

4.2 Changes in ownership interest in Omani Qatari Telecommunications Company S.A.O.G. ("Nawras")

The Group offered 15% of its holding in Nawras held through TDC- Qtel MENA Investcom B.S.C. (MENA) as part of the Nawras initial public offering ("IPO") on the Muscat Securities Market ("MSM") in November 2010. The IPO proceeds received by the Group amounted to QR 624,777,000 and the value of net assets representing the shares offered by the Group in the public issue was QR 192,996,000

The Group also acquired an effective stake of 14.4 % in Nawras from the non-controlling shareholder in MENA based on an existing agreement for a cash consideration of QR 60,995,000. The value of net assets acquired from the non-controlling interest was QR 186,057,000.

The net effect of the above mentioned transactions was a net disposal of 0.6% of the Group's effective stake in Nawras which resulted in a movement of non-controlling interests amounting to QR 6,939,000 and a cumulative amount of QR 556,843,000 being the difference between the amount by which the non-controlling interests are adjusted and the net consideration received, is recognised in the consolidated statement of changes in equity under retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

4 BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES TO PERCENTAGE HOLDINGS (continued)**4.3 Changes in ownership interest in Wataniya Palestine Mobile Telecommunication Limited P.S.C. ("WPT")**

During the year, the Group contributed an amount of QR 102,329,000 towards an increase in the share capital of WPT. In addition, WPT had offered through an Initial Public Offering (the "IPO") new shares equivalent to 15 per cent of its authorised share capital followed by a listing on the Palestine Exchange (the "PEX"). This transaction resulted in a decrease in the Group's effective shareholding in WPT from 29.9% to 25.4% without a loss of control over WPT. As a result, the Group recognised an amount of QR 23,339,000 as part of retained earnings in the consolidated statement of changes in equity.

4.4 Changes in ownership interest in wi-tribe Limited

Additional issue of shares made by wi-tribe limited during the year was not proportionately subscribed by the non-controlling interests of wi-tribe Limited. This resulted in an increase in the Group's shareholding to 86.1%. As a result the Group has recognised an amount of QR 36,222,000 in retained earnings representing the adjustment to reflect the changes in the interest in the subsidiary with the corresponding amount included under non-controlling interest.

Business combinations in 2009**4.5 Acquisition of Al-Bahar United Company W.L.L. ("FONO")**

On 22 January 2009, the Group acquired 100% of the voting shares of Al-Bahar United Company W.L.L. (FONO), a company domiciled and registered in the State of Kuwait. FONO is engaged in the retail sales of mobile handsets. The acquisition has been accounted for using the purchase method of accounting.

The net assets of FONO acquired amounted to QR 7,552,000 based on the fair values assigned to the acquiree's identifiable assets and liabilities determined by a Purchase Price Allocation carried out by the management. The purchase consideration amounted to QR 21,188,000 with a resultant goodwill of QR 13,636,000. The net cash out flow on acquisition net of cash acquired with the subsidiary of QR 455,000 amounted to QR 20,733,000.

From the date of acquisition, FONO contributed a profit of QR 4,187,000 to the profit of the Group for the year ended 31 December 2009.

5 INTEREST IN A JOINT VENTURE

The Group's subsidiary Wataniya Telecom has a 50% equity shareholding with equivalent voting power in Orascom Telecom Tunisie S.A. (Tunisiana), a joint venture established in Tunisia.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of Tunisiana from the date of acquisition:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Share of joint venture's statement of financial position:		
Current assets	355,188	447,702
Non-current assets	1,061,494	1,158,538
Current liabilities	(623,006)	(670,816)
Non-current liabilities	(12,937)	(148,617)
Carrying amount of net assets	<u>780,739</u>	<u>786,807</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

5 INTEREST IN A JOINT VENTURE (continued)

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Share of joint venture's income statement:		
Revenue	1,286,588	1,298,852
Other income (expenses)	(2,243)	960
General and administrative expenses	(798,587)	(811,706)
Finance costs	(4,332)	(13,176)
Income tax	(180,604)	(173,597)
Profit for the year	<u>300,822</u>	<u>301,333</u>

6 REVENUE

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Revenue from rendering of services	26,518,790	23,609,284
Sale of telecommunications equipment	420,327	331,642
Revenue from use of assets by others	100,999	22,024
Network construction revenue (Note 16)	138,883	62,306
	<u>27,178,999</u>	<u>24,025,256</u>

7 OPERATING EXPENSES

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Outpayments and interconnect charges	2,853,327	2,521,155
Regulatory and related fees	1,857,848	1,181,117
Rentals and utilities	1,337,471	1,173,303
Leased circuit rentals	936,969	1,007,554
Cost of equipment sold and other services	758,411	751,560
Repairs and maintenance	647,497	626,562
Network construction costs (Note 16)	138,883	62,306
Provision for obsolete and slow moving inventories (Note 21)	6,658	4,049
	<u>8,537,064</u>	<u>7,327,606</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

8 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Employee salaries and associated costs	2,784,336	2,508,705
Marketing costs and sponsorship	1,172,497	1,062,249
Legal and professional fees	329,377	273,489
Commission on cards	824,739	691,541
Allowance for impairment of receivables (Note 22)	199,364	173,532
Other expenses	737,257	766,810
	<u>6,047,570</u>	<u>5,476,326</u>

9 DEPRECIATION AND AMORTISATION

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i> <i>(Restated)</i>
Depreciation (Note 14)	4,696,409	3,791,555
Amortisation of intangibles (Note 15)	1,621,007	1,692,686
	<u>6,317,416</u>	<u>5,484,241</u>

10 FINANCE COSTS -NET

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Interest expenses	2,202,844	1,808,269
Amortisation of deferred financing costs (Note 27)	152,632	139,246
Other finance charges	11,223	5,958
Ineffective portion of cash flow hedges transferred (Note 26)	(107)	(8,605)
	<u>2,366,592</u>	<u>1,944,868</u>
Less : Interest income	<u>(562,205)</u>	<u>(446,635)</u>
	<u>1,804,387</u>	<u>1,498,233</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

11 OTHER INCOME (EXPENSES) –NET

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Gain on foreign currency exchange (net)	152,380	563,343
Profit on disposal of available-for-sale investments	40,516	16,398
Profit (loss) on disposal of plant and equipment	26,024	(771)
Dividend income	25,767	28,574
Rental income from building	17,023	17,081
Loss on change in fair value of derivatives (net)	(179,229)	(181,047)
Miscellaneous income (Note 12 and (i))	<u>575,130</u>	<u>700,392</u>
	<u>657,611</u>	<u>1,143,970</u>

- (i) In 2009, the Court of Cassation ruled in favour of one of the Group's subsidiaries in a case brought against it by the Ministry of Communications Kuwait regarding network license fees. This judgement is not subject to any further appeal. As a result, the subsidiary has reversed previously recorded accruals, net of related expenses, amounting to QR 655,576,000 which was included under miscellaneous income.

12 ROYALTIES AND FEES

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Royalty to the Government of State of Qatar	-	116,865
Royalty to the Government of Sultanate of Oman	110,954	96,313
Industry fees	156,191	180,057
Other statutory fees	<u>53,670</u>	<u>65,919</u>
	<u>320,815</u>	<u>459,154</u>

Royalties:

In accordance with Law No. 6 of 2002, effective 1 January 2005, Qtel was liable to pay royalty to the Government of the State of Qatar for the exclusive right to provide telecommunication services in the State of Qatar. The royalty payable was calculated based on 25% of the profits attributable to the shareholders of the parent. In accordance with Law No. 34 of 2006 issued on 6 November 2006, the payment of royalty to the Government of the State of Qatar shall be discontinued from the date another operator licensed under the Law commences telecommunication services in Qatar.

The Group deemed that another operator licensed under the Law commenced commercial operations on 1 March 2009, when the second operator switched on its network for two way communication, broadly consistent with the requirements prescribed by the provisions of license granted to Qtel by ictQATAR and had discontinued payment of royalties from such date. However, as per the Decree issued by the Government of Qatar, the payment of royalties had to be discontinued with effect from 7 October 2007 and replaced with 12.5% industry fees on the profits and 1% of license fees on the net regulated revenues generated from the Group's operations in Qatar. This has resulted in a write back of accruals amounting to QR 554 million, which has been included under Other Income (Expenses) -Net (Note 11) during the year ended 31 December 2010.

In accordance with the terms of a license granted to Omani Qatari Telecommunications Company S.A.O.G. to operate telecommunication services in the Sultanate of Oman, royalty is payable to the Government of the Sultanate of Oman, effective from March 2005. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

12 ROYALTIES AND FEES (continued)*Industry fees:*

In accordance with the Minister of Economy and Finance of the State of Qatar Decree in 2010, effective from 7 October 2007, the Group has provided for a 12.5% Industry fee on profits generated from the Group's operations in Qatar.

Other statutory Fees :

Contributions by National Mobile Telecommunications Company K.S.C to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat are included under other statutory.

13 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the parent by the weighted average number of shares outstanding during the year.

There were no potentially dilutive shares outstanding at any time during the year and, therefore, the diluted earnings per share is equal to the basic earnings per share.

	<i>2010</i>	<i>2009</i> <i>(Restated)</i>
Profit for the year attributable to shareholders of the parent (QR'000)	<u><u>2,887,843</u></u>	<u><u>2,825,329</u></u>
Weighted average number of shares (in thousands)	<u><u>146,667</u></u>	<u><u>146,667</u></u>
Basic and diluted earnings per share (QR)	<u><u>19.69</u></u>	<u><u>19.26</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

14 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings QR '000</i>	<i>Exchange and networks assets QR '000</i>	<i>Subscriber apparatus and other equipment QR '000</i>	<i>Capital work in progress QR '000</i>	<i>Total QR '000</i>
Cost:					
At 1 January 2009	3,395,148	11,894,551	7,778,674	5,898,020	28,966,393
Reclassification of prepaid land right (Note 42)	<u>195,484</u>	<u>-</u>	<u>-</u>	<u>715</u>	<u>196,199</u>
At January 2009 (Restated)	3,590,632	11,894,551	7,778,674	5,898,735	29,162,592
Acquisition of subsidiaries (Note 4.5)	-	-	1,935	-	1,935
Additions	7,330	107,247	24,077	8,316,341	8,454,995
Transfers	1,002,490	8,755,046	764,645	(10,522,181)	-
Disposals/reclassifications	(5,684)	6,465,863	(6,596,141)	(32,625)	(168,587)
Exchange adjustment	<u>417,631</u>	<u>(262,658)</u>	<u>952,940</u>	<u>689,505</u>	<u>1,797,418</u>
At 31 December 2009 (Restated)	5,012,399	26,960,049	2,926,130	4,349,775	39,248,353
Additions	14,409	1,024,222	61,892	5,841,252	6,941,775
Transfers	581,655	5,628,926	474,249	(6,684,830)	-
Disposals/ reclassifications	(28,761)	(2,453,719)	(81,519)	(700)	(2,564,699)
Reclassifications from intangibles	-	29,571	1,115	-	30,686
Exchange adjustment	<u>185,038</u>	<u>484,967</u>	<u>3,617</u>	<u>117,570</u>	<u>791,192</u>
At 31 December 2010	<u>5,764,740</u>	<u>31,674,016</u>	<u>3,385,484</u>	<u>3,623,067</u>	<u>44,447,307</u>
Depreciation:					
At 1 January 2009	367,915	3,565,682	1,681,229	-	5,614,826
Reclassification of prepaid land right (Note 42)	<u>32,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,897</u>
At January 2009 (Restated)	400,812	3,565,682	1,681,229	-	5,647,723
Provided during the year	347,920	3,024,104	419,531	-	3,791,555
Relating to disposals/reclassifications	578,832	146,842	(881,821)	-	(156,147)
Exchange adjustment	<u>45,487</u>	<u>(60,507)</u>	<u>213,727</u>	<u>-</u>	<u>198,707</u>
At 31 December 2009 (Restated)	1,373,051	6,676,121	1,432,666	-	9,481,838
Provided during the year	433,064	3,725,805	537,540	-	4,696,409
Relating to disposals/ reclassifications	(28,750)	(1,923,836)	(73,593)	-	(2,026,179)
Reclassification from intangibles	-	15,927	597	-	16,524
Exchange adjustment	<u>51,927</u>	<u>(5,972)</u>	<u>59,776</u>	<u>-</u>	<u>105,731</u>
At 31 December 2010	<u>1,829,292</u>	<u>8,488,045</u>	<u>1,956,986</u>	<u>-</u>	<u>12,274,323</u>
Net book value:					
At 31 December 2010	<u>3,935,448</u>	<u>23,185,971</u>	<u>1,428,498</u>	<u>3,623,067</u>	<u>32,172,984</u>
At 31 December 2009 (Restated)	<u>3,639,348</u>	<u>20,283,928</u>	<u>1,493,464</u>	<u>4,349,775</u>	<u>29,766,515</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

14 PROPERTY, PLANT AND EQUIPMENT (continued)*Notes:*

- i) Included in capital work in progress are eligible borrowing costs capitalised during the year amounting to QR 7,573,000 (2009: 70,320,000).
- ii) The property, plant and equipment of the subsidiaries Wataniya Telecom Algeria S.P.A, Wataniya Telecom Maldives Pvt Ltd and the joint venture Tunisiana amounting to QR 3,322,178,000 (2009: QR 3,472,184,000) are under registered mortgage to secure bank loans (Note 27).
- iii) During the year ended 31st December 2009, the estimated useful life of certain exchange and network assets for one of its subsidiaries were revised from 7 years to 15 years based on management's best estimate and has been accounted for as a change in accounting estimate. This change has resulted in an increase in the profit for the year ended 31 December 2009 by QR 27,444,000.
- iv) On August 31, 2009, one of the Subsidiary Company launched its Palapa D Satellite. The Satellite experienced an under-performance of the launch vehicle during the Satellites' placement to its intended orbital position. Consequently, its orbital lifetime has been reduced. The insurance claim for the partial loss of the Satellite has been made and is recorded as a reduction of the cost of the Satellite. The Satellite has been in operation since November 2009 after going through the process of testing and arranging its orbital position in September and October 2009. On January 4 and 19, 2010, the Company collected the Palapa D Satellite insurance claim amounting to QR 211,236,132 as a loss compensation for the decrease in the Satellite's useful life from 15 years to 10.77 years due to the under-performance of the launch vehicle in the Satellite's orbital process.
- v) Land and buildings include land lease rights with a net carrying amount of QR 174,344,000 (2009: QR 168,823,000) held under finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2010

15 INTANGIBLE ASSETS

	<i>License costs</i> <i>QR '000</i>	<i>Goodwill</i> <i>QR '000</i>	<i>Customer contracts and related customer relationships</i> <i>QR '000</i>	<i>Brand/Trade names</i> <i>QR '000</i>	<i>Concessions intangible assets</i> <i>QR '000</i>	<i>Other intangibles</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
Cost:							
At 1 January 2009	22,130,772	8,182,671	867,752	3,118,980	606,942	22,390	34,929,507
Acquisition of a subsidiary	-	13,636	-	-	-	8,728	22,364
Acquisition of non-controlling interests (Note 4)	-	1,441,148	-	-	-	-	1,441,148
Additions	1,024,880	-	-	-	62,334	36,386	1,123,600
Reversal of negative goodwill (Note 4)	-	78,224	-	-	-	-	78,224
Reversal of license cost (i)	(393,469)	-	-	-	-	-	(393,469)
Reclassification (ii)	-	123,447	(83,026)	(40,421)	-	-	-
Exchange adjustment	135,153	354,561	108,825	356,434	(32,780)	3,757	925,950
At 31 December 2009	22,897,336	10,193,687	893,551	3,434,993	636,496	71,261	38,127,324
Additions	-	-	-	33,894	139,059	20,890	193,843
Reclassification to property, plant and equipment	-	-	-	-	(43,085)	12,399	(30,686)
Exchange adjustment	219,866	302,247	36,366	124,036	2,418	2,198	687,131
At 31 December 2010	23,117,202	10,495,934	929,917	3,592,923	734,888	106,748	38,977,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

15 INTANGIBLE ASSETS (continued)

	<i>License costs</i> <i>QR '000</i>	<i>Goodwill</i> <i>QR '000</i>	<i>Customer contracts and related customer relationship</i> <i>QR '000</i>	<i>Brand/Trade names</i> <i>QR '000</i>	<i>Concessions intangible assets</i> <i>QR '000</i>	<i>Other intangibles</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
Amortisation and impairment:							
At 1 January 2009	1,672,300	5,462	224,643	230,661	118,469	6,690	2,258,225
Amortisation during the year	1,071,556	-	336,858	187,914	75,939	20,419	1,692,686
Impairment during the year	-	68,861	-	-	-	-	68,861
Exchange adjustment	(56,913)	40	57,960	12,370	(12,244)	2,287	3,500
At 31 December 2009	2,686,943	74,363	619,461	430,945	182,164	29,396	4,023,272
Amortisation during the year	1,142,002	-	188,778	211,173	71,258	7,796	1,621,007
Impairment during the year	36,251	-	-	-	-	-	36,251
Reclassification	-	-	-	-	(28,923)	12,399	(16,524)
Exchange adjustment	(32,085)	943	18,918	24,649	20,564	1,434	34,423
At 31 December 2010	3,833,111	75,306	827,157	666,767	245,063	51,025	5,698,429
Net book value:							
At 31 December 2010	19,284,091	10,420,628	102,760	2,926,156	489,825	55,723	33,279,183
At 31 December 2009	20,210,393	10,119,324	274,090	3,004,048	454,332	41,865	34,104,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

15 INTANGIBLE ASSETS (continued)

- (i) Reversal of licence cost in 2009 represents the reversal of Wataniya Palestine Mobile Telecommunication P.S.C.(WPT) license cost relating to the right to use the frequencies in Gaza, Palestine. Previously, the Group recognised license costs relating to the right to use the frequencies in both Gaza and West Bank under intangible assets and the related liability under other noncurrent liabilities. The license was conditional upon the Ministry of Telecommunications and Information Technology, Palestine, fulfilling its obligations to enable WPT to launch commercial operations in West Bank and Gaza. However, WPT was not granted access to launch services in Gaza until further notice. Hence the Group has derecognised the license cost relating to the right to use the frequencies in Gaza, Palestine (based on the split of assumed subscribers and revenue for West Bank and Gaza) from intangible assets and the corresponding liability from other non-current liabilities.
- (ii) During 2008, Asiacell Communication LLC (ACL Iraq) finalised its accounting and the Purchase Price Allocation for the acquisition of Asia Cell, Iraq. The fair values of the trade name and customer relationships were calculated on the basis that ACL Iraq has a full tax exemption for a period of 10 years. Based on the new information that became available in 2009, ACL Iraq is not exempt from tax which has an impact on the recognised fair value of intangible assets. The new fair values are reflected on the financial statements as of 1 January 2009 and the effect of excess amortisation charged in 2008 of QR 17,409,000 is reflected in 2009 as a reduction of accumulated amortisation. As a result, the revised fair values of intangible assets have been incorporated in the 2009 with an adjustment for the excess amortisation of intangible assets amounting to QR 17,409,000.
- (iii) Intangible assets of the joint venture Tunisiana representing the mobile license totalling to QR 370,084,682 (2009: QR 473,718,910) are under registered mortgage to secure certain bank loans (Note 27).
- (iv) The Group has recorded impairment loss on goodwill and license costs amounting to QR 36,251,000 (2009: QR 68,861,000) based on the management's assessment of the related assets.

16 BUILD-OPERATE-TRANSFER AGREEMENT

On 9 January 2002, a subsidiary, Public Telecommunications Company Ltd. ("PTC") has signed a Build-Operate-Transfer ("BOT") agreement with Saudi Telecom Company ("STC") to offer digital radio network services based on IDEN technology ("the Project") to the public and corporate sectors in the Kingdom of Saudi Arabia ("KSA"). The services offered include call services, data services, control & monitoring services and other optional services. The key features of the BOT agreement are as described below:

- a) The BOT agreement is for a concession period of 15 years from 2005 to 2020 subject to termination as discussed in (f) below and renewal in accordance with the terms of the agreement.
- b) PTC will be responsible for the Project (including the completion of each project phase), building and maintaining the network during the term of the BOT agreement. PTC is liable to pay performance penalties to STC in the event of any failure by PTC to comply with specified network performance requirements.
- c) The prices to be charged from users by PTC are subject to regulation by STC.
- d) At the end of the agreement period, PTC shall transfer the network to STC at fair market value based on an independent valuation. The network shall be transferred in a condition that enables it to be used for at least the next 5 years.
- e) PTC shall pay STC revenue fees, site rental payments, equipment commission fees and link licence fees during the term of the BOT agreement. The fees can be revised by STC if the telecommunications market in The Kingdom of Saudi Arabia is deregulated such that STC is obliged to provide services, rights, access or licenses of a comparable type or nature to third parties. In such event the revised payments shall reflect the market rate for services, rights, access or licenses of a comparable type and nature (and in assessing such market rate the amounts previously paid by PTC shall not be taken into account).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

16 BUILD-OPERATE-TRANSFER AGREEMENT (continued)

f) The agreement may be terminated by STC if PTC fails to perform its obligations or if PTC is declared bankrupt or insolvent or goes into liquidation (except for the purposes of amalgamation or reconstruction approved in advance by STC). The agreement may be terminated by PTC if STC fails to perform its obligations or if STC is dissolved or goes into liquidation.

g) The agreement may be modified in writing signed by the duly authorised representatives of STC and PTC.

The assets under BOT agreement are shown separately as “Concession intangible assets” (Notes 15). Each item of the concession intangible asset is amortised over the period from the date of its addition to 2020 (as the BOT agreement expires in 2020). The network construction revenue and network construction costs are included under revenue and other operating costs respectively.

In the opinion of management, PTC does not have any contractual obligations to fulfil as a condition of its licence.

- (i) to maintain the infrastructure to a specified level of serviceability, or
- (ii) to restore the infrastructure to a specified condition before it is handed over to the STC at the end of the BOT arrangement. The future network enhancements will be able to sustain the network on transferring to STC as mentioned in (d) above.

17 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>	
			<i>2010</i>	<i>2009</i>
Navlink, Inc.,	<i>Managed Service Provider delivering technology solutions in the enterprise data market</i>	<i>United State of America</i>	<i>38%</i>	<i>38%</i>
Asia Mobile Holdings Pte Ltd (“AMH”)	<i>Holding company</i>	<i>Singapore</i>	<i>25%</i>	<i>25%</i>
PT Lintas Media Danawa	<i>Information and communication services</i>	<i>Indonesia</i>	<i>-</i>	<i>35%</i>
PT Multi Media Asia Indonesia	<i>Satellite based telecommunication services</i>	<i>Indonesia</i>	<i>27%</i>	<i>27%</i>
PT Swadharma Marga Inforindo	<i>Telecommunication and information services</i>	<i>Indonesia</i>	<i>20%</i>	<i>20%</i>
Liberty Telecoms Holdings Inc. (“LTHI”)	<i>Telecommunication services</i>	<i>Philippines</i>	<i>40%</i>	<i>40%</i>
MEEZA QSTP LLC	<i>Information technology services</i>	<i>Qatar</i>	<i>20%</i>	<i>20%</i>

- (i) Navlink Inc. a Delaware Corporation is engaged in managing service delivery and providing technology solutions in the enterprise data market. During the year 2009, the investment in Navlink Inc., a Delaware Corporation was impaired to the extent of QR 46,337,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

17 INVESTMENT IN ASSOCIATES (continued)

- (ii) On 1 March 2007, the Group acquired a 25% stake in AMH. AMH is the holding company for ST Telemedia's ("STT") stake in Star Hub Ltd., Singapore.
- (iii) On 8 May 2008, the Group acquired 27% of LTHI, a company incorporated in Philippines which is engaged in providing telecommunication services in Philippines and increased its stake to 40% on 9 December 2008.
- (iv) PT Lintas Media and Danawas ("LMD"), PT Multi Media Asia Indonesia and PT Swadharma Marga Interindo were acquired through PT Indosat Tbk. During the year, PT Indosat Tbk through its subsidiary Lintasarta had increased its stake in LMD from 35% to 70%. Accordingly, LMD has been classified as a subsidiary during the year.
- (v) MEEZA QSTP LLC is registered as a limited liability company incorporated in the State of Qatar and is engaged in IT services.

The following table is the summarised financial information of the Group's investments in the associates.

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Group's share of associates' statement of financial position:		
Current assets	1,478,339	1,250,749
Non-current assets	1,821,929	1,841,579
Current liabilities	(859,130)	(685,739)
Non-current liabilities	<u>(1,567,500)</u>	<u>(1,584,532)</u>
Net assets	873,638	822,057
Goodwill on acquisition	1,299,014	1,168,915
Less: impairment on investment in associate	<u>(46,337)</u>	<u>(46,337)</u>
Carrying amount of the investment	<u>2,126,315</u>	<u>1,944,635</u>
Group's share of associates' revenues and results:		
Revenues	<u>1,563,997</u>	<u>1,159,898</u>
Results	<u>(129,636)</u>	<u>9,358</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

18 AVAILABLE-FOR-SALE INVESTMENTS

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Quoted equity investments	545,899	493,253
Unquoted equity investments	404,296	362,416
Unquoted debt securities	117,227	160,264
Investments in funds	<u>794,584</u>	<u>682,825</u>
	<u>1,862,006</u>	<u>1,698,758</u>

At 31 December 2010, certain unquoted equity investments amounting to QR 287,273,000 (2009: QR 269,325,000) are carried at cost less impairment due to non-availability of quoted market prices or other reliable measures of their fair value.

During the year, the Group has recorded an impairment loss of QR 9,999,000 (2009: QR 271,578,000) on certain available-for-sale investments. In the opinion of the management, based on the currently available information, there is no evidence of further impairment in the value of available-for-sale investments.

19 OTHER NON-CURRENT ASSETS

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i> <i>(Restated)</i>
Prepaid rentals (i)	303,955	284,803
Long term advances (ii)	417,348	519,309
Long term loans (iii)	140,437	178,656
Others (iv)	<u>106,149</u>	<u>145,363</u>
	<u>967,889</u>	<u>1,128,131</u>

- (i) Prepaid rentals represents the long term portion of prepaid rentals on sites and towers.
- (ii) Long term advances represents advances to suppliers and contractors for the procurement or construction of property, plant and equipment and advances against investments, which will be reclassified to the respective class of assets upon completion or receipt of these assets purchased.
- (iii) Long term loans represent loans granted to third parties for the purpose of investing in telecommunications outside Qatar, which carries interest at LIBOR plus margin 8% and is repayable within a period of five years. The loans are secured against pledge of shares of the invested telecommunication companies.
- (iv) Others includes an amount of QR 45,097,000 (2009: QR 57,093,000) relating to long term portion of prepaid pension costs (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

20 INCOME TAX

The income tax represents amounts recognised by subsidiary companies.

The major components of the income tax expense for the years 2010 and 2009 are:

	2010 QR'000	2009 QR'000 <i>(Restated)</i>
Current income tax:		
Current income tax charge	(519,558)	(546,816)
Adjustments in respect of previous years' income tax	-	(35,328)
Deferred income tax:		
Relating to origination and reversal of temporary differences	<u>(25,992)</u>	<u>(35,814)</u>
Income tax included in the consolidated income statement	<u>(545,550)</u>	<u>(617,958)</u>

The Company is not subject to income tax in the State of Qatar. The tax rate applicable to the taxable subsidiary companies and a joint venture company is in the range of 10% to 35% (2009: 12% to 35%). For the purpose of determining the taxable results for the year, the accounting profit of the companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.

The reconciliation between tax expense and the product of accounting profit multiplied by the Group's effective tax rate is as follows:-

	2010 QR'000	2009 QR'000 <i>(Restated)</i>
Accounting consolidated profit before tax	4,633,472	4,546,248
The Company and its subsidiaries that are not subject to corporate income tax	<u>(1,804,760)</u>	<u>(1,861,409)</u>
Accounting profit of subsidiaries and associates that are subject to corporate income tax	2,828,712	2,684,839
Add:		
Allowances, accruals and other temporary differences	8,340	16,830
Expenses and income that are not subject to corporate tax	<u>677,661</u>	<u>318,398</u>
Deduct:		
Depreciation-net	(908,643)	(364,158)
Unutilised tax losses brought forward	<u>(80,554)</u>	<u>(283,255)</u>
Taxable profit of subsidiaries and associates that are subject to corporate income tax	<u>2,525,516</u>	<u>2,372,654</u>
Current income tax charge at the effective income tax rate of 21% (2009: 23%)	<u>519,558</u>	<u>546,816</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

20 INCOME TAX (continued)

	<i>Consolidated statement of financial position</i>		<i>Consolidated income statement</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
		<i>(Restated)</i>		<i>(Restated)</i>
Accelerated depreciation for tax purposes	(926,801)	(661,833)	(256,250)	(79,967)
Losses available to offset against future taxable income	465,244	299,046	166,198	(75,325)
Allowances, accruals and other temporary differences	32,006	54,156	(22,150)	(7,136)
Deferred tax origination on Purchase Price Allocation	(844,238)	(869,434)	86,210	126,614
Deferred tax (expense) income			(25,992)	(35,814)
Deferred tax liability - net	(1,273,789)	(1,178,065)		

Reflected in the consolidated statement of financial position as follows:

	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
		<i>(Restated)</i>
Deferred tax asset	357,998	353,202
Deferred tax liability	(1,631,787)	(1,531,267)
	(1,273,789)	(1,178,065)

Reconciliation of deferred tax liability – net:

	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
		<i>(Restated)</i>
At 1 January	1,178,065	898,568
Tax expense (income) during the year	25,992	35,814
Tax impact on restatement of prepaid land right (Note 42)	-	(276)
Tax relating to translation reserve	(2,924)	(1,410)
Exchange adjustment	72,656	245,369
At 31 December	1,273,789	1,178,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

21 INVENTORIES

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Subscribers' equipment	177,262	196,103
Other equipment	137,065	62,868
Cables and transmission equipment	<u>36,835</u>	<u>23,471</u>
	351,162	282,442
<i>Less: Provision for obsolete and slow moving inventories</i>	<u>(34,578)</u>	<u>(27,911)</u>
	<u>316,584</u>	<u>254,531</u>

Inventories consumed and recognised as expense during the year included as part of cost of equipment sold and other services under operating expenses, amounted to QR 749,745,000 (2009: QR 692,842,000).

Movement in the provision for obsolete and slow moving inventories is as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
At 1 January	27,911	24,020
Provided during the year (Note 7)	6,658	4,049
Amounts written off	(192)	(150)
Exchange adjustment	<u>201</u>	<u>(8)</u>
	<u>34,578</u>	<u>27,911</u>

22 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Trade accounts receivable	2,180,994	1,826,938
Other receivables and prepayments	2,148,648	1,868,438
Unbilled subscriber revenue	280,471	336,422
Positive fair value of derivatives contracts (Note 32)	30,358	114,312
Amounts due from international carriers	98,703	52,644
Net prepaid pension costs (Note 28)	<u>776</u>	<u>945</u>
	<u>4,739,950</u>	<u>4,199,699</u>

Other receivables and prepayments include claims for tax refund of QR 235,035,131 (2009: QR 252,445,405) relating to subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

22 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

At 31 December 2010, trade accounts receivable amounting to QR 783,646,000 (2009: QR 654,393,000) were impaired and fully provided for.

Movement in the allowance for impairment of trade accounts receivable is as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
At 1 January	654,393	516,324
Acquisition of subsidiaries	-	370
Charge for the year (Note 8)	199,364	173,532
Amounts written off	(71,507)	(78,415)
Amount recovered	(8,473)	-
Exchange adjustment	<u>9,869</u>	<u>42,582</u>
At 31 December	<u>783,646</u>	<u>654,393</u>

At 31 December 2010, the ageing of unimpaired trade accounts receivable is as follows:

			<i>Past due not impaired</i>			
	<i>Total</i> <i>QR '000</i>	<i>Neither</i> <i>past due nor</i> <i>impaired</i> <i>QR '000</i>	<i>< 30days</i> <i>QR '000</i>	<i>30-60</i> <i>days</i> <i>QR '000</i>	<i>60-90</i> <i>days</i> <i>QR '000</i>	<i>> 90</i> <i>days</i> <i>QR '000</i>
2010	2,180,994	504,503	406,977	251,791	186,107	831,616
2009	1,826,938	507,770	326,821	177,172	116,432	698,743

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities are therefore, unsecured.

23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following items:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Bank balances and cash	25,575,667	11,511,570
Bank overdrafts (Note 27)	<u>(1,710)</u>	<u>(4,942)</u>
	25,573,957	11,506,628
Restricted deposit	<u>(16,037)</u>	<u>(20,305)</u>
Cash and cash equivalents at 31 December	<u>25,557,920</u>	<u>11,486,323</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

23 CASH AND CASH EQUIVALENTS (continued)*Notes:*

- (i) Bank balances and cash equivalents include fixed deposits maturing after three months amounting to QR 15,804,342,000 (2009: QR 111,438,000). The management is of the opinion that these fixed deposits are readily convertible to cash and is held to meet short-term commitments.
- (ii) Short term deposits are made for varying periods depending on the immediate cash requirements of the Group and the interest on the respective short term deposit rates range from 0.76% to 10% (2009 : 0.5% to 14.5%)

24 SHARE CAPITAL

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Authorised		
200,000,000 Ordinary shares of QR 10 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid up		
146,666,700 Ordinary shares of QR 10 each	<u>1,466,667</u>	<u>1,466,667</u>

The Government of the State of Qatar owns 55% of the share capital.

25 LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit of the Company for the year should be transferred to the legal reserve until such reserves reach 50% of the issued share capital. During the year 2007, the Board of Directors resolved to cap the legal reserve at QR 1,000,000,000 until such time the legal reserve falls below 50% of the issued capital.

During 2008, an amount of QR 5,494,137,000, being the net share premium amount arising out of the rights issue was transferred to legal reserve.

The reserve is not available for distribution except in the circumstances stipulated in the Companies' law and the Company's Articles of Association.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

26 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
<i>Available-for-sale investments:</i>		
Gain (loss) arising during the year	279,512	(43,299)
Reclassification adjustments for profit included in the income statement	(40,516)	(15,491)
Transfer to income statement on impairment (Note 18)	9,999	271,578
	248,995	212,788
<i>Cash flow hedges :</i>		
Gain arising during the year	1,627	85,232
Income tax effect	2,228	-
Ineffective portion of cash flow hedges transferred to income statement (Note 10)	(107)	(8,605)
	3,748	76,627
<i>Associates:</i>		
Share of net gain on cash flow hedges	1,473	6,276
<i>Translation reserves:</i>		
Exchange differences on translation of foreign operations	1,053,146	1,635,423
Income tax benefits	689	1,410
	1,053,835	1,636,833
Other comprehensive income for the year, net of tax	1,308,051	1,932,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS

The interest bearing loans and borrowings presented in the consolidated statement of financial position consist of the following:

	<i>Maturity</i>	<i>2010 QR'000</i>	<i>2009 QR'000</i>
The Company's loans:			
Loan 1 (i)	Aug 2012	10,924,500	10,924,500
Loan 2 (ii)	Various	7,283,000	-
Loan 3 (ii)	Nov 2011	-	7,270,974
Subsidiaries' loans:			
<i>Qtel International Finance Limited</i>			
Loan 4 (iii)	Jun 2014	3,277,350	3,277,350
Loan 5 (iii)	Jun 2019	2,184,900	2,184,900
Loan 6 (iii)	Oct 2016	3,641,500	-
Loan 7 (iii)	Feb 2021	3,641,500	-
Loan 8 (iii)	Oct 2025	2,731,125	-
<i>Omani Qatari Telecommunications Company S.A.O.G.</i>			
Loan 9 (iv)	Mar 2012	672,675	568,766
<i>National Mobile Telecommunications Company K.S.C. and its subsidiaries:</i>			
Loan 10 (v)	Mar 2015	1,319,554	1,295,065
Loan 11 (v)	Mar 2012	140,530	298,263
Loan 12 (v)	Nov 2013	43,698	65,547
Loan 13 (v)	Jun 2016	317,610	197,791
Loan 14 (v)	Dec 2013	364,988	-
<i>wi tribe Limited:</i>			
Loan 15 (vi)	May 2011	425,321	-
<i>Starlink W.L.L.:</i>			
Loan 16 (vii)	Various	33	154
<i>PT Indosat Tbk and its subsidiaries:</i>			
Loan 17 (viii)	Sep 2012	526,526	1,007,214
Loan 18 (ix)	Jun 2013	1,638,691	1,638,660
Loan 19 (x)	Sep 2012	526,526	1,200,908
Loan 20 (xi)	Nov 2019	660,021	733,343
Loan 21 (xii)	Various	810,242	479,380
Loan 22 (xiii)	May 2013	198,012	206,186
Loan 23 (xiv)	-	-	174,326
Loan 24 (xv)	Nov 2016	83,688	93,531
Loan 25 (xvi)	May 2011	13,838	41,513
Loan 26 (xvii)	Jan 2011	1,998	9,659
Loan 27 (xviii)	Jun 2012	21,257	9,209
Loan 28 (xix)	Various	1,053,052	1,007,214
Loan 29 (xx)	-	-	854,823
Loan 30 (xxi)	Various	526,526	503,607
Loan 31 (xxii)	Various	437,421	418,381
Loan 32 (xxiii)	-	-	398,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)

	<i>Maturity</i>	<i>2010 QR'000</i>	<i>2009 QR'000</i>
The Company's loans:			
Loan 33 (xxiv)	Jun 2011	330,091	315,723
Loan 34 (xxv)	-	-	247,930
Loan 35 (xxvi)	Apr 2013	230,861	220,812
Loan 36 (xxvii)	May 2014	162,008	154,956
Loan 37 (xxviii)	Jun 2011	115,431	110,406
Loan 38 (xxix)	Nov 2032	81,004	77,478
Loan 39 (xxx)	Various	81,004	77,478
Loan 40 (xxxi)	Jun 2012	10,126	9,685
Loan 41 (xxxii)	Jun 2012	6,881	6,581
Loan 42 (xxxiii)	Jul 2020	2,366,998	-
Bank overdrafts (Note 23)		<u>1,710</u>	<u>4,942</u>
		46,852,196	36,085,668
Less: Deferred financing costs		<u>(590,522)</u>	<u>(402,826)</u>
		<u>46,261,674</u>	<u>35,682,842</u>

	<i>Principal repayment amount QR'000</i>	<i>Deferred financing costs QR'000</i>	<i>2010 QR'000</i>	<i>2009 QR'000</i>
Presented in the consolidated statement of financial position as:				
Current portion	2,609,948	(91,095)	2,518,853	1,884,409
Non-current portion	<u>44,242,248</u>	<u>(499,427)</u>	<u>43,742,821</u>	<u>33,798,433</u>
	<u>46,852,196</u>	<u>(590,522)</u>	<u>46,261,674</u>	<u>35,682,842</u>

The deferred financing costs consist of arrangement and commitment fees. Movement in deferred financing costs was as follows:

	<i>2010 QR'000</i>	<i>2009 QR'000</i>
At 1 January	402,826	189,884
Additions during the year	335,870	398,839
Amortised during the year (Note 10)	(152,632)	(139,246)
Capitalised into capital work in progress	-	(62,016)
Exchange adjustment	<u>4,458</u>	<u>15,365</u>
At 31 December	<u>590,522</u>	<u>402,826</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)*Notes:***The Company's loans**

- i) Loan 1 (unsecured) was initially launched at US\$ 2,500,000,000 (QR 9,103,750,000) and the Group has fully drawn down the loan on 6 September 2007. The facility was used to refinance the Group's existing US\$ 2,500,000,000 (QR 9,103,750,000) bridge loan signed on 9 March 2007. On 1 November 2007, the facility was eventually increased by US\$ 500,000,000 (QR 1,820,750,000) to US\$ 3,000,000,000 (QR 10,924,500,000). The purpose of the loan was for general corporate purposes.
- ii) Loan 2 (unsecured) represents a dual tranche facility agreement that the Company has entered into on 23 April 2010, denominated in US Dollars, amounting to US\$ 2,000,000,000 (QR 7,283,000,000) of which US\$ 1,250,000,000 (QR 4,551,875,000) will mature on 26 May 2013 and US\$ 750,000,000 (QR 2,731,125,000) will mature on 26 May 2015. The facility carries interest at LIBOR plus applicable margins and was fully drawn down on 26 May 2010.

Loan 3 was fully paid by the Company on 26 May 2010.

Subsidiaries' loans

- iii) On 27 May 2009, the Group established a US\$ 5,000,000,000 (QR 18,207,500,000) Global Medium Term Note Programme ("Notes") and officially listed in London Stock Exchange, which is unconditionally and irrevocably guaranteed by the Company. The Notes can be issued in any number of series, but the maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme should not exceed US\$ 5,000,000,000 (QR 18,207,500,000). Subsequent to listing, the Group issued two series of Notes and received the proceeds of the Notes on 10 June 2009. These Notes have a total face value of US\$ 1,500,000,000 (QR 5,462,250,000) and carry interest at fixed rates. The two series are:

Loan 4 (Notes): First series Notes amounting to QR 3,277,350,000 (US\$ 900,000,000) which bear interest at fixed coupon rate of 6.5% per annum starting from 10 June 2009. These Notes will mature on 10 June 2014.

Loan 5 (Notes): Second series Notes amounting to QR 2,184,900,000 (US\$ 600,000,000) which bears interest at fixed coupon rate of 7.875% per annum starting from 10 June 2009. These Notes will mature on 10 June 2019.

An update of the US\$ 5,000,000,000 (QR 18,207,500,000) Global Medium Term Note Programme ("Notes") was completed and dated 5 October 2010. Subsequently, the Group issued three additional series of Notes. These Notes have a total face value of US\$ 2,750,000,000 (QR 10,014,125,000) and carry fixed interest rates. The three series are:

Loan 6 (Notes): Third series Notes amounting to QR 3,641,500,000 (US\$ 1,000,000,000) which bears interest at fixed coupon rate of 3.375% per annum starting from 14 October 2010. These Notes will mature on 14 October 2016.

Loan 7 (Notes): Fourth series Notes amounting to QR 3,641,500,000 (US\$ 1,000,000,000) which bears interest at fixed coupon rate of 4.750% per annum starting from 14 October 2010. These Notes will mature on 16 February 2021.

Loan 8 (Notes): Fifth series Notes amounting to QR 2,731,125,000 (US\$ 750,000,000) which bears interest at fixed coupon rate of 5.00% per annum starting from 19 October 2010. These Notes will mature on 19 October 2025.

Based on the Programme indenture, the Company should be owned directly or indirectly at least 50.1% by the Government of State of Qatar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)**

- iv) Loan 9 relates to a syndicated loan facility agreement with a consortium of banks for a term loan originally at US\$ 270,000,000 (QR 983,205,000) to finance the activities of Omani Qatari Telecommunications Company S.A.O.G. (Nawras). In 2007, the subsidiary renegotiated the terms of the existing borrowings and availed of additional facilities amounting to US\$ 91,000,000 (QR 331,376,500). At 31 December 2010, the subsidiary utilized the facility in full.

The facilities are secured by a charge on the Company's Dollar proceeds account and the insurance proceeds of property, plant and equipment and corporate guarantees of shareholders of Nawras. The loan agreement also contains certain restrictive covenants.

The subsidiary has entered into interest rate swaps to hedge its risks associated with interest rate fluctuations. The loan is repayable in nine semi-annual instalments commencing from 12 March 2008.

The subsidiary has received a market disruption clause notice from some of its lenders which request that finance cost on the commercial loan facility be based on LIBOR plus an additional margin from March 2009. The average annual additional interest paid in relation to this during the year amounted to 1.18% (2009: 1.61%).

- v) Loan 10 to Loan 14 represents the loans relating to National Mobile Telecommunications Company K.S.C. and its subsidiaries and the repayment terms of these loans are as follows:

<i>Description of loan</i>	<i>Repayment term</i>
Loan 10	: Over a period of 9 years in instalments starting from December 2005
Loan 11	: Over a period of 4 years in instalments starting from March 2008
Loan 12	: Over a period of 5 years in instalments starting from November 2008
Loan 13	: Repayable in semi-annual instalments commencing 15 January 2011 and ending 15 January 2016
Loan 14	: Repayable in 15 December 2013

Loans 10 - 14 are secured by pledges on the respective subsidiaries and joint venture's assets and their shares. The loans are subject to various obligations and financial covenants over the terms of the debt.

- vi) Loan 15 relates to wi-tribe Limited. This represents an unsecured revolving credit facility availed of by the subsidiary during the year amounting to US\$ 151,000,000 (QR 549,900,000) carrying a fixed rate interest of 6% per annum. The loan is repayable by 11 May 2011

Loans 1 to 3 and loans 9 to 14 bear interest at respective reference rates (LIBOR, EURIBOR, Algerian repo rates, Kuwaiti Central Bank discount rate, Tunisia money market rate) plus applicable margins ranging from 0.30% to 6.5%.

- vii) Loan 16 relates to the Starlink W.L.L. This represents vehicle loans which are secured against motor vehicles jointly registered in the name of the subsidiary and the bank.

- viii) Loan 17 represents an unsecured five year credit facility denominated in Indonesian Rupiah (Rp) for the purchase of telecommunication equipment.

The first facility amounting to Rp 2,000,000 million (QR 810,040,000) bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year) and (ii) floating rates for the remaining years based on the prevailing annual rate of average 3-month JIBOR plus 1.5% per annum. The interest is payable quarterly. The repayment of the loan draw downs will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1st and 2nd years after the first drawdown, (b) 15% each of the total loan draw downs in the 3rd and 4th years after the first drawdown, and (c) 50% of the total loan draw downs in the 5th year after the first signing date of the agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 17 (continued)*

On 27 September and 27 December 2007, the subsidiary made the first and second loan drawdowns totalling Rp 2,000,000 million (QR 810,040,000) representing the full amount of the facility.

Voluntary prepayment (whole or any part of the loan) is permitted without penalty if the prepayment is made after the 24th month from the date of the agreement subject to 7 days' prior written notice. Prepayment prior to the 24th month after the agreement date is allowed with penalty of 2% of the prepaid amount.

On 27 September 2008 and 25 September 2009, the subsidiary paid the first and second annual installments, respectively amounting to Rp 400,000 million (QR 162,008,000).

On 27 September 2010, the subsidiary paid the third annual installment amounting to Rp 300,000 million (QR 121,506,000).

Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.

As on 31 December 2009, there was a second facility amounting to Rp 1,000,000 million (QR 405,020,000), fully drawn down by the subsidiary on 31 July 2009 with interest at 3-month JIBOR plus 4.00% per annum which was changed effective on 31 May 2010 to an average 3-month JIBOR plus 2.25% per annum.

On 30 July 2010, the subsidiary paid the first annual instalment amounting to Rp 100,000 million (QR 40,502,000).

On 15 November 2010, the subsidiary made an early repayment of the remaining loan balance amounting to Rp 900,000 million (QR 364,518,000).

- ix) Loan 18 represents a syndicated US Dollar loan facility dated 12 June 2008 amounting to US\$ 450,000,000 (QR 1,638,675,000). The purpose of the loan is finance the subsidiary's capital expenditure, purchase of a portion of its Guaranteed notes due on 2010 and 2012 and for general working capital requirements. The repayment of the loan drawdowns will be made semi-annually, as follows: (a) 25% of the total loan drawdowns in 3rd year after the signing date of the agreement (first repayment date), (b) 24% of the total loan drawdowns in 6th month after the first repayment date, (c) 8% each of the total loan drawdowns in 12th and 18th months after the first repayment date, and (d) 35% of the total loan drawdowns in 24th month after the first repayment date. The loan bears interest at floating rates based on US Dollar LIBOR plus margin (1.9% per annum for onshore lenders and 1.85% per annum for offshore lenders), which is payable semi-annually. Based on the loan agreement the subsidiary is required to maintain certain loan covenants such as maintaining certain financial ratios.
- x) Loan 19 represents unsecured five year credit facility dated 28 August 2007 denominated in Indonesian Rupiah (Rp) for the repayment of existing loan facility and the purchase of telecommunication equipment, which amounts to Rp 1,600,000 million (QR 648,032,000) and subsequently increased to Rp 2,000,000 million (QR 810,040,000) on 20 September 2007.

The loan bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year) and (ii) floating rates for the remaining years based on the prevailing annual rate of 3-month JIBOR plus 1.5% per annum. The interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1st and 2nd years after the first drawdown, (b) 15% each of the total loan drawdowns in the 3rd year and 4th years after the first drawdown, and (c) 50% of the total loan drawdowns in the 5th year after the first drawdown.

On 27 September, 26 October and 27 December 2007, the subsidiary made drawdowns totaling Rp 2,000,000 million (QR 810,040,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 19 (continued)*

Voluntary prepayment (whole or any part of the loan) is permitted without penalty if the prepayment is made after the 24th month from the date of the agreement subject to 7 days' prior written notice. Prepayment prior to the 24th month after the agreement is allowed with penalty of 2% of the prepaid amount.

On 27 September 2008 and 25 September 2009, the subsidiary paid the first and second annual instalments amounting to Rp 400,000 million (QR 162,008,000). The third annual instalment of Rp 300,000 million (QR 121,506,000) was paid on 21 September 2010.

The other three year and five year credit facilities which were outstanding as on 31 December 2009 amounting to Rp 1,500,000 million (QR 607,530,000), were paid as follows: 16 March and 25 June 2010 for the first annual instalments and 19 October 2010 for the early repayment of the remaining loan balances, total payments amounted to Rp 1,500,000 million (QR 607,530,000).

Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.

- xi) Loan 20 represents a 12 year COFACE term facility agreement ("COFACE Facility") amounting to US\$ 157,243,000 (QR 572,600,385) to finance the payment of 85% of the French Content under the Palapa D Satellite Contract plus 100% of the COFACE Premium. The loan bears interest at the fixed annual rate of 5.69% which is payable semi annually. The total loan outstanding after the availability period shall be repaid in twenty semi-annual instalments. The semi-annual repayment of the principal will start six months after the earlier of (a) date of successful completion of the Satellite In-Orbit Acceptance Review under the Palapa D Satellite Contract and (b) 29 September 2009.

In addition, loan 20 represents a 12 year SINOSURE term facility agreement ("SINOSURE Facility") amounting to US\$ 44,200,000 (QR 160,954,300) to be used to finance the payment of 85% of the Launch Service Contract. The loan bears interest at floating rates based on the U.S. Dollar LIBOR Plus 0.35% per annum. The total loan outstanding after the availability period shall be repaid in twenty semi-annual instalments. The semi-annual repayment of the principal will start six months after the earlier of (a) date of successful completion of the Satellite In-Orbit Acceptance Review under the Palapa D Satellite Contract and (b) 29 September 2009.

As of 31 December 2009, the subsidiary has already drawn from these credit facilities for an amount of US\$ 201,387,000 (QR 733,350,000).

On 29 March and 29 September 2010, the subsidiary paid the first and second semi-annual instalments on these credit facilities totalling to US\$ 20,138,680 (QR 73,335,000).

Based on the credit facility agreements the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

- xii) Loan 21 represents credit facilities consist of facilities A, B and C with maximum amounts of US\$ 100,000,000 (QR 364,150,000), US\$ 155,000,000 (QR 564,432,500) and US\$ 60,000,000 (QR 218,490,000) respectively, for the purchase of telecommunication equipment. The loans from the facilities bear interest at certain rates per annum as determined in the agreement and the related interest is payable semi-annually until the respective maturity dates. The repayment of each of facilities A, B and C shall be made in fourteen instalments starting six months after 31 May 2009, 28 February 2010 and 30 November 2010, respectively.

As of 31 December 2010, the subsidiary has already drawn US\$ 100,000,000 (QR 364,150,000) and US\$ 155,000,000 (QR 564,432,500) from facilities A and B respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 21 (continued)*

On 30 November 2009, 27 May 2010 and 30 November 2010, the subsidiary paid the first, second and third semi-annual instalments, respectively, for facility A amounting to US\$ 21,428,580 (QR 78,032,174).

On 28 August 2010, the subsidiary paid the first semi-annual instalment for facility B amounting to US\$ 11,071,430 (QR 40,316,612).

Based on the loan agreement, the subsidiary is required to comply with certain covenants, such as maintaining certain financial ratios.

- xiii) Loan 22 denominated in Rp and received in US \$ amounting to US\$ 50,000,000 (QR 182,075,000) was obtained to finance the purchase of telecommunications equipment. The loan will mature on 30 May 2013. The loan bears interest at the fixed annual rate of 8.75% applied on the Rp 434,300 million (QR 175,900,186), which is payable quarterly every 28 February, 30 May, 30 August and 30 November commencing on 30 August 2007 up to 30 May 2012.

The loan agreement provides an option to the lender to convert the loan payable into a U.S. Dollar loan of US\$ 50,000,000 (QR 182,075,000) on 30 May 2012 ("FX Conversion Option"). The fair value of the FX Conversion Option as of 31 December 2010 and 2009 amounted to US\$ 6,072,200 (QR 22,111,916) and US\$ 11,038,100 (QR 40,195,241).

If the lender takes such option, starting 30 May 2012, the loan will bear interest at the fixed annual rate of 6.45% applied on the US\$ 50,000,000 (QR 182,075,000) principal and both U.S. Dollar principal and interest thereon will be due on 30 May 2013.

Based on the loan agreement, the subsidiary is required to notify the lender regarding the following events which can result in loan termination, such as:

- (i) certain changes affecting withholding taxes in the United Kingdom or Indonesia;
- (ii) default under Guaranteed Notes due 2012;
- (iii) default under the subsidiary US\$ Notes and IDR Bonds;
- (iv) redemption, purchase or cancellation of the Guaranteed Notes due 2012 and there are no US\$ Indosat Notes outstanding upon such redemption, purchase or cancellation; and
- (v) change of control in the subsidiary.

On 24 June 2008, the subsidiary received a waiver letter from the lender affirming that it will not terminate the loan due to the change of control of the subsidiary.

- xiv) Loan 23 represents a five-year unsecured credit facility for capital expenditure and general corporate purposes with a maximum amount of Rp 500,000 million (QR 202,510,000). The loan bears interest at (i) fixed annual rates for the first two years (9.7% in the first year and 10.4% in the second year) and (ii) floating rates for the remaining years based on prevailing annual interest rate of 3-month Certificates of Bank Indonesia plus 1.5% per annum. The interest is payable quarterly. The repayment of the loan draw downs will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1st and 2nd years after the first drawdown, (b) 15% each of the total loan drawdowns in the 3rd and 4th years after the first drawdown, and (c) 50% of the total loan drawdowns in the 5th year after the signing date of the agreement. The loan was fully drawn down by the subsidiary on 31 January 2008.

Voluntary early repayment is permitted on each interest payment date without penalty if the repayment is made after the 24th month from the date of the first drawdown subject to 15 days' prior written notice. Repayment prior to the 24th month after the agreement date is allowed with penalty of 1% of the prepaid amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 23 (continued)*

On 30 January 2009 and 1 February 2010, the subsidiary paid the first and second annual instalments amounting to Rp 100,000 million (QR 40,502,000).

Based on the credit facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

On 30 October 2010, the subsidiary made an early repayment of the remaining loan balance amounting to Rp 400,000 million (QR 162,008,000).

- xv) Loan 24 represents a 9 year unsecured commercial facility amounting to US\$ 27,037,000 (QR 98,455,236). The purpose of the loan is to finance the construction and launch of the satellite and the payment of the SINOSURE Premium in connection with the SINOSURE Facility (Loan 20). The loan bears interest at floating rates based on U.S. Dollar LIBOR plus 1.45% per annum, which is payable semi-annually.

The repayment of the loan shall be made in fifteen semi-annual instalments starting 24 months from the date of the loan agreement. For the first five instalments, the subsidiary will repay US\$ 1,351,850 (QR 4,922,762) each and US\$ 2,027,780 (QR 7,384,161) for the remaining instalments thereafter.

On 1 April 2008, the subsidiary received the full drawdown from its 9-year Commercial Facility.

On 27 November 2009, 27 May and 29 November 2010, the subsidiary paid the first, second and third semi-annual instalments amounting to US\$ 4,055,550 (QR 14,768,285).

Based on the facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

- xvi) Loan 25 represents a credit facility amounting to US\$ 38,000,000 (QR 138,377,000) for purchase of telecommunication equipment. The loan bears interest at the fixed annual rate of 4.15%. The loan, together with the related interest, is payable semi-annually until 12 May 2011

Voluntary early repayment is permitted only after 60 days from the date of the loan agreement subject to 15 days' prior written notice. The subsidiary may repay the whole or any part of the loan before the due dates in the minimum amount of US\$ 10,000,000 (QR 36,415,000) divisible by US\$ 1,000,000 (QR 3,641,500).

Based on the facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

- xvii) Loan 26 represents a credit facility amounting to Rp 50,000 million (QR 20,251,000) for purchase of telecommunication equipment, computers and other supporting facilities. The facility bears interest at the prevailing rate of 1-month Certificate of Bank Indonesia plus 2.25% per annum. The quarterly repayment of the principal amount started on 10 October 2008 and will continue up to January 2011. These facilities are collateralised by all equipment purchased from the proceeds of the credit facilities.
- xviii) Loan 27 represents an investment credit facility amounting to Rp 75,000 million (QR 30,376,500) for the purchase of telecommunications equipment, computers and other supporting facilities. The facility bears interest at the annual rate of 14.5%. The quarterly repayment of the principal amount of Rp 7,500 million (QR 3,037,650) each started on 24 May 2010 and will continue up to 24 August 2012. the subsidiary has already fully drawn the amount of the facility. The facility is collateralised by all equipment purchased from the proceeds of the credit facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)**

xix) Loan 28 represents Fifth Indosat Bonds issued in the year 2007 with fixed rates. The bonds have a total face value of Rp 2,600,000 million (QR 1,053,052,000). The bonds consist of two series:

- Series A bonds amounting to Rp 1,230,000 million (QR 498,174,600) which bear interest at the fixed rate of 10.20% per annum starting 29 May 2007. These bonds will mature on 29 May 2014.
- Series B bonds amounting to Rp 1,370,000 million (QR 554,877,400) which bear interest at the fixed rate of 10.65% per annum starting 29 May 2007. These bonds will mature on 29 May 2017.

The bonds will mature before the maturity dates, if after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

The payment agent shall pay interest on the bonds as follows:

- Series A : Starting 29 August 2007 and every quarter thereafter up to 29 May 2014.
- Series B : Starting 29 August 2007 and every quarter thereafter up to 29 May 2017.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for capital expenditure.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xx) Loan 29 represents Guaranteed Notes Due 2010 with a fixed rate and a total face value of US\$ 300,000,000 (QR 1,092,450,000) issued through IFB. The notes bore interest at the fixed rate of 7.75% per annum payable in semi-annual instalments. The notes service interest semiannually on 5 May and 5 November of each year, commencing on 5 May 2004. The notes matured on 5 November 2010.

The notes were redeemable at the option of IFB, in whole or in part at any time on or after 5 November, 2008. The notes were redeemable at prices equal to 103.8750%, 101.9375% and 100.0000% of the principal amount during the 12-month period commencing on 5 November 2008, 2009 and 2010, respectively. The notes were also redeemable at the option of IFB, in whole but not in part, at any time, at a price equal to 103.5625% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts to the date of redemption, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands that would require IFB or the subsidiary to pay an additional amount in respect of any note in excess of certain amounts. Upon a change in control of IFB (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of IFB's assets), the holder of the notes has the right to require IFB to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fee and offering expenses, were received on 5 November 2003 and used primarily to repay a portion of Indosat's (including Satelindo's and IM3's) outstanding indebtedness amounting to Rp 1,500,000 million (QR 607,530,000) and US\$ 447,500,000 (QR 1,629,571,250).

Based on the facility agreement, the subsidiary was required to comply with certain conditions, such as maintaining certain financial ratios. The notes were unconditionally and irrevocably guaranteed by the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 29 (continued)*

On 22 July 2008, IFB announced the Change of Control Offer to all holders of the notes. This offer was to purchase the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest up to the date of settlement and any additional amounts. Such offer expired on 17 September 2008. The bondholders expressed their rights that required IFB to repurchase all or any part of such holders' notes.

On 19 September 2008, IFB paid a total of US\$ 67,805,000 (QR 246,911,908) for the purchased portion of the notes with a total principal amount of US\$ 65,253,000 (QR 237,618,800) at a price equal to 101% of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On 12 May 2010, the subsidiary, together with IFB and IIFB, announced the commencement by IFB and IIFB of cash tender offers to purchase for cash any or all of IFB's outstanding Guaranteed Notes Due 2010 (the "2010 Notes") and IIFB's outstanding Guaranteed Notes Due 2012 (the "2012 Notes"). In addition to its offer to purchase the 2010 Notes, IFB was also soliciting, as one proposal, consents to certain proposed amendments to the amended and restated indenture, dated as of 25 January 2006 (the "2010 Indenture"), which would shorten the notice period for optional redemption of the 2010 Notes and to the release of IIFB as a guarantor under the 2010 Indenture.

On 2 August 2010, IFB paid a total of US\$ 174,699,000 (QR 636,166,409) for the purchased portion of the 2010 Notes under tender offers with total principal amounts of US\$ 167,774,000 (QR 610,949,021) and US\$ 100,000 (QR 364,150) at prices equal to 102.1875% and 101.9375%, respectively, of the principal amounts purchased, plus the accrued and unpaid interest up to settlement date, consent fee of US\$ 9,000 (QR 32,774) and other additional expense.

On August 10, 2010, IFB paid a total of US\$ 69,536,000 (QR 253,215,344) for the remaining purchased portion of the 2010 Notes which was called with a total principal amount of US\$ 66,873,000 (QR 243,518,030) at a price equal to 101.9375% of the principal amount called, plus the accrued and unpaid interest up to settlement date and other additional expense.

xxi) Loan 30 represents Seventh Indosat Bonds issued in the year 2009 with fixed rates. The bonds have a total face value of Rp 1,300,000 million (QR 526,526,000). The bonds consist of two series:

- Series A bonds amounting to Rp 700,000 million (QR 283,514,000) which bear interest at the fixed rate of 11.25% per annum starting 8 December 2009. These bonds will mature on 8 December 2014.
- Series B bonds amounting to Rp 600,000 million (QR 243,012,000) which bear interest at the fixed rate of 11.75% per annum starting 8 December 2009. These bonds will mature on 8 December 2016.

The bonds will mature before the maturity dates, if after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

The payment agent, shall pay interest on the bonds as follows:

- Series A : Starting 8 March 2010 and every quarter thereafter up to 8 December 2014.
- Series B : Starting 8 March 2010 and every quarter thereafter up to 8 December 2016.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for the purchase of Base Station Subsystem to expand the subsidiary's cellular network

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 30 (continued)*

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

The subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios

xxii) Loan 31 represents Sixth Indosat Bonds in Year 2008 with fixed rates ("Sixth Indosat Bonds"), with BRI as the trustee. The bonds have a total face value of Rp 1,080,000 million (QR 437,421,600). The bonds consist of two series:

- Series A bonds amounting to Rp 760,000 million (QR 307,815,200) which bear interest at the fixed rate of 10.25% per annum starting 9 April 2008. These bonds will mature on 9 April 2013.
- Series B bonds amounting to Rp 320,000 million (QR 129,606,400) which bear interest at the fixed rate of 10.80% per annum starting 9 April 2008. These bonds will mature on 9 April 2015.

The bonds will mature before the maturity dates if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

The payment agent shall pay interest on the bonds, as follows:

- Series A : Starting 9 July 2008 and every quarter thereafter up to 9 April 2013.
- Series B : Starting 9 July 2008 and every quarter thereafter up to 9 April 2015.

The subsidiary received the proceeds of the bonds on 9 April 2008.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for capital expenditure purposes.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios. The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxiii) Loan 32 represents Guaranteed Notes Due 2012 with a fixed rate and face value of US \$ 250,000,000 (QR 910,375,000) issued through IIFB. The notes were issued at 99.323% of their principal amount. The notes bear interest at the fixed rate 7.125% per annum; interest servicing is in semiannual equal instalments due on 22 June and 22 December of each year, commencing 22 December 2005. The notes will mature on 22 June 2012.

The notes will be redeemable at the option of IIFB, in whole or in part at any time on or after 22 June 2010 at prices equal to 103.5625%, 101.7813% and 100.0000% of the principal amount during the 12 month period commencing 22 June 2010, 2011 and 2012, respectively, plus accrued and unpaid interest and additional amounts, if any. In addition, prior to 22 June 2008, IIFB may redeem up to a maximum of 35% of the original aggregate principal amount, with the proceeds of one or more public equity offerings of the subsidiary, at a price equal to 107.125% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at the option of IIFB, in whole but not in part, at any time, at a price equal to 103.5625% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts to the date of redemption, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands that would require IIFB or the subsidiary to pay an additional amount in respect of any note in excess of certain amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 32 (continued)*

Upon a change in control of IIFB (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of IIFB's assets), the holder of the notes has the right to require IIFB to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fee and offering expenses, were received on 23 June 2005 and used for general corporate purposes, including capital expenditures.

Based on the notes indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios. The notes are unconditionally and irrevocably guaranteed by the subsidiary.

On 22 July 2008, IIFB announced the Change of Control Offer to all holders of the notes. This offer was to purchase the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest up to the date of settlement and any additional amounts. Such offer expired on 17 September 2008. The bondholders exercised their rights that required IIFB to repurchase all or any part of such holders' notes.

On 19 September 2008, IIFB paid a total of US\$ 144,441,000 (QR 525,981,902) for the purchased portion of the notes with a total principal amount of US\$ 140,590,000 (QR 511,958,485) at a price equal to 101% of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On 12 May 2010, the subsidiary, together with IFB and IIFB, announced the commencement by IFB and IIFB of cash tender offers to purchase for cash any or all of IFB's outstanding Guaranteed Notes Due 2010 (the "2010 Notes") and IIFB's outstanding Guaranteed Notes Due 2012 (the "2012 Notes").

On 2 August 2010, IIFB paid a total of US\$ 58,614,000 (QR 213,442,881) for the purchased portion of the 2012 Notes under tender offers with total principal amounts of US\$ 55,835,000 (QR 203,323,153) and US\$ 200,000 (QR 728,300) at prices equal to 103.8125% and 103.5625%, respectively, of the principal amounts purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On 2 September 2010, IIFB paid a total of US\$ 56,016,000 (QR 203,982,264) for the remaining purchased portion of the 2012 Notes which was called with a total principal amount of US\$ 53,375,000 (QR 194,365,063) at a price equal to 103.5625% of the principal amount called, plus the accrued and unpaid interest up to settlement date and other additional expenses.

- xxiv) Loan 33 represents Fourth Indosat Bonds in Year 2005 with fixed rates issued ("Fourth Indosat Bonds"), with BRI as the trustee. The bonds have a total face value of Rp 815,000 million (QR 330,091,300). The bonds bear interest at the fixed rate of 12% per annum, payable on a quarterly basis. The bonds will mature on 21 June 2011:

The bonds will mature before maturity date if the subsidiary exercises the following options:

- Early Settlement option : The subsidiary has the right to make early payment for all the bonds on the 4th anniversary of the bonds at 100% of the bonds' nominal value.
- Buy-back option : after the 1st anniversary of the bonds, the subsidiary has the right to buy back part or all of the bonds at market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans***Loan 33 (continued)*

The proceeds of the bonds were used for capital expenditure purposes.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

- xxv) Loan 34 represents Third Indosat Bonds in Year 2003 with fixed rates issued ("Third Indosat Bonds"), with BRI as the trustee. The bonds were issued in two series. The Series A matured on 21 October 2008.

The Series B bonds which amounted to Rp 640,000 million (QR 259,212,800) bore interest at the fixed rate of 12.875% per annum for 7 years starting 22 October 2003. On 22 October 2010, this was paid in full by the subsidiary.

The bonds would mature before maturity date if after the 1st anniversary of the bonds, the subsidiary exercised its option to buy back part or all of the bonds at market price temporarily or as an early settlement. The subsidiary did not exercise its early settlement option to make early payment for all the bonds on the 6th anniversary of the bonds at 100% of the bonds' nominal value.

The payment agent, paid interest on the Series B bonds, on 22 January 2004 and every quarter thereafter up to 22 October 2010.

The proceeds of the bonds were used as capital injection to Satelindo which, in turn, used the proceeds to repay its debts and Guaranteed Floating Rate Bonds.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific subsidiary assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

- xxvi) Loan 35 represents Sukuk Ijarah III issued in the Year 2008 this was issued with BRI as the trustee. The bonds have a total face value of Rp 570,000 million (QR 230,861,400). The bonds will mature on 9 April 2013. The bonds will mature before maturity date if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price.

Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 58,425 million (QR 23,663,294) payable on a quarterly basis starting 9 July 2008 up to 9 April 2013. The proceeds of the bonds were used for capital expenditure purposes.

The subsidiary received the proceeds of the bonds on 9 April 2008. Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans**

xxvii) Loan 36 represents Indosat's Sukuk Ijarah II issued in the Year 2007 with BRI as the trustee. The bonds have a total face value of Rp 400,000 million (QR 162,008,000). The bonds will mature on 29 May 2014. The bonds will mature before maturity date if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price.

Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") amounting to Rp 40,800 million (QR 16,524,816) payable on a quarterly basis starting 29 August 2007 up to 29 May 2014. The proceeds of the bonds were used for capital expenditure purposes.

The subsidiary received the proceeds of the bonds on 31 May 2007. Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxviii) Loan 37 represents Indosat's Syari'ah Ijarah Bonds issued in the Year 2005. The bonds have a total face value of Rp 285,000 million (QR 115,430,700) and will mature on 21 June 2011. Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 34,200 million (QR 13,851,684) payable on a quarterly basis starting 21 September 2005 up to 21 June 2011.

The bonds will mature before maturity date if the subsidiary exercises the following options:

- Early Settlement Option: the subsidiary has the right to make early payment for all the bonds on the 4th anniversary of the bonds at 100% of the bonds' nominal value.
- Buy-back Option : after the 1st anniversary of the bonds, the subsidiary has the right to buy back part or all of the bonds at market price.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The proceeds of the bonds were used for capital expenditure purposes. The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxix) Loan 38 represents Second Indosat Bonds issued in the Year 2002 with fixed and floating rates with BRI as the trustee. The bonds were issued in three series. The series A and series C bonds matured on November 6, 2007.

- Series B bonds amounting to Rp 200,000 million (QR 81,004,000) which bear interest at the fixed rate of 16% per annum for 30 years starting 6 February 2003. The bonds mature if the subsidiary or the bondholder exercises the following options:

Buy Option : the subsidiary has the right to make early payment for all the Series B bonds on the 5th, 10th, 15th, 20th and 25th anniversaries of the bonds at 101% of the bonds' nominal value.

Sell Option : the bondholder has the right to ask for early settlement from the subsidiary at 100% of the bonds' nominal value: 1) at any time, if the rating of the bonds decreases to AA- or lower (Special Sell Option) or 2) on the 15th, 20th and 25th anniversaries of the bonds (Regular Sell Option).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans***Loan 38 (continued)*

The payment agent pays interest on the series B bonds starting 6 February 2003 and every quarter thereafter up to 6 November 2032.

The proceeds of the bonds were used to repay other loans. Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralised by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxx) Loan 39 represents Indosat's Sukuk Ijarah IV issued in Year 2009 with BRI as the trustee. The bonds have a total face value of Rp 200,000 million (QR 81,004,000). The bonds were issued in two series:

- Series A bonds amounting to Rp 28,000 million (QR 11,340,560) with annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 3,150 million (QR 1,275,813) payable on a quarterly basis starting 8 March 2010 up to 8 December 2014.
- Series B bonds amounting to Rp 172,000 million (QR 69,663,440) with annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 20,210 million (QR 8,185,454) payable on a quarterly basis starting 8 March 2010 up to 8 December 2016.

The bonds will mature before maturity date if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price.

The subsidiary received the proceeds of the bonds on 8 December 2009. The net proceeds, after deducting the underwriting fee and offering expenses, were used for the purchase of Base Station Subsystem to expand the subsidiary's cellular network.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralised by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxxi) Loan 40 represents Limited Bonds II issued by Lintasarta. Indosat and Lintasarta entered into an agreement with its stockholders for the former to issue Limited Bonds II amounting to Rp 66,150 million (QR 26,792,073), after the elimination of Limited Bonds II amounting to Rp 35,000 million (QR 14,175,700), balance amounts to Rp 25,000 million (QR 10,125,500). The limited bonds represent unsecured bonds which were originally set to mature on 14 June 2009 and is subject to interest at the floating rates determined using the average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3%. The maximum limit of the floating rates was 19% and the minimum limit was 11% per annum. The interest is payable on a quarterly basis starting 14 September 2006.

The proceeds of the limited bonds were used for capital expenditure to expand Lintasarta's telecommunication peripherals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 40 (continued)*

On 14 June 2009, Lintasarta paid a portion of the limited bonds amounting to Rp 6,150 million (QR 2,490,873). Based on the minutes of the joint meeting of Lintasarta's Board of Commissioners and Directors held on 20 May 2009, it was agreed to extend the maturity date of the remaining Limited Bonds II of Rp 60,000 million (QR 24,301,200) to 14 June 2012 and to increase the minimum limit of the floating interest rates to 12.75%. On 25 August 2009, the amended agreement of Limited Bonds II to accommodate the changes in maturity date and minimum limit of floating interest rates was finalized.

- xxxii) Loan 41 represents Indosat's Limited Bonds I amounting to Rp 40,000 million (QR 16,200,800). The limited bonds are unsecured. These were originally set to mature on 2 June 2006 and is subject to interest at the fixed rate of 16% per annum for the first year and floating rates for the succeeding years.

On the maturity date, Lintasarta paid a certain portion of the limited bonds amounting to Rp 5,144 million (QR 2,083,423) and subsequently extended the maturity date of the remaining balance of Rp 34,856 million (QR 14,117,377) until 2 June 2009. The extension of maturity date was made based on the first amendment dated 14 June 2006 of the Limited Bonds I agreement. The floating interest rates of the bonds are determined using the average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3%. The maximum limit of the floating rate is 19% and the minimum limit is 11% per annum.

On 2 June 2009, Lintasarta paid a portion of the limited bonds amounting to Rp 8,303 million (QR 3,362,881). Based on the minutes of the joint meeting of Lintasarta's Board of Commissioners and Directors held on 20 May 2009, it was agreed to extend the maturity date of the remaining Limited Bonds I of Rp 26,553 million (QR 10,754,496) to 2 June 2012 and to increase the minimum limit of the floating interest rates to 12.75%. After the elimination of Limited Bonds I amounting to Rp 9,564 million (QR 3,873,611), balance amounts to Rp 16,989 million (QR 6,880,885). On 25 August 2009, the amended agreement of Limited Bonds I to accommodate the changes in maturity date and minimum limit of floating interest rates was finalised.

- xxxiii) Loan 42 represents Indosat's Guaranteed Notes ("GN") 2020 with fixed rate and with a total face value of US\$ 650,000,000 (QR 2,366,975,000). The notes were issued at 99.478% of their principal amount and bear interest at the fixed rate of 7.375% per annum payable semi-annually on 29 January and 29 July of each year, commencing on 29 January 2011. The notes will mature on July 29, 2020.

The notes will be redeemable at the option of IPBV, in whole or in part, at any time on or after 29 July 2015 at prices equal to 103.6875%, 102.4583%, 101.2292% and 100% of the principal amount during the 12-month period commencing 29 July 2015, 2016, 2017 and 2018 and thereafter, respectively, plus accrued and unpaid interest and additional amounts, if any. In addition, prior to 29 July 2013, IPBV may redeem up to a maximum of 35 % of the original aggregate principal amount, with the proceeds of one or more public equity offerings at a price equal to 107.375% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at the option of IPBV or the subsidiary, in whole but not in part, at any time, upon not less than 30 days nor more than 60 days prior notice, at a price equal to 100% of the principal amount thereof, plus any accrued and unpaid interest to (but not including) the redemption date and any additional amounts, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands. Upon a change in control of the subsidiary, (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of the subsidiary's assets), the holder of the notes has the right to require IPBV to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

27 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 42 (continued)*

The net proceeds, after deducting the underwriting fees and offering expenses, were received on 29 July 2010 and used (i) to fund the offers to purchase the outstanding Guaranteed Notes Due 2010 and Guaranteed Notes Due 2012 and any consent solicitation relating to, or redemption of, such notes and (ii) to refinance part of the subsidiary's other existing indebtedness.

The notes are unconditionally and irrevocably guaranteed by the subsidiary.

The subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

28 EMPLOYEE BENEFITS

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Employees' end of service benefits	337,640	285,617
Post retirement health care plan	258,917	212,679
Defined benefit pension plan/Labour Law No. 13/2003	76,121	57,253
Other employee benefits	18,304	49,941
	<u>690,982</u>	<u>605,490</u>

Movement in the provision for employee benefits are as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
At 1 January	605,490	501,627
Acquisition of subsidiaries	-	595
Provided during the year	82,986	113,680
Paid during the year	(13,277)	(52,877)
Exchange adjustment	15,783	42,465
At 31 December	<u>690,982</u>	<u>605,490</u>

The details of the benefit plans operated by the Group were as follows:

Employees' end of service benefits

The Company and its certain subsidiaries provide end of service benefits to their employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

The subsidiaries, Indosat, Satelindo and Lintasarta have defined benefit and defined contribution pension plans covering substantially all of their qualified permanent employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

28 EMPLOYEE BENEFITS (continued)**Post-retirement healthcare**

The subsidiary provides post-retirement healthcare benefits to its employees who leave after the employees fulfill the early retirement requirement. The spouse and children, who have been officially registered in the administration records of the subsidiary are also eligible to receive benefits. If the employees die, the spouse and children are still eligible for the post-retirement healthcare until the spouse dies or remarries and the children reach the age of 25 or get married.

The utilization of post-retirement healthcare is limited to an annual maximum ceiling that refers to monthly pension from Jiwasraya as follows:

- 16 times the Jiwasraya monthly pension for a pensioner who receives monthly pension from Jiwasraya.
- 16 times the equality monthly pension for a pensioner who became permanent employee after 1 September 2000.
- 16 times the last monthly pension for a pensioner who retired after July 1, 2003 and does not receive Jiwasraya monthly pension.

The net periodic post-retirement healthcare cost for the year ended 31 December 2010 is calculated based on the actuarial valuations as of 31 December 2010. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<i>2010</i>	<i>2009</i>
Annual discount rate	9.5%	11%
Ultimate cost trend rate	6%	6%
Next year trend rate	14%	16%
Period to reach ultimate cost trend rate	4 years	5 years

- a) The composition of the periodic post-retirement healthcare cost for the year ended 31 December is as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Interest cost	26,416	20,634
Amortisation of unrecognised past service cost	4,189	3,684
Service cost	11,312	6,919
Periodic post-retirement healthcare cost	41,917	31,237

- b) The composition of the accrued post-retirement healthcare cost as of 31 December is as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Projected benefit obligation	342,905	234,627
Unrecognised actuarial (loss) gain	(65,388)	(833)
Unrecognised past service costs	(12,658)	(16,156)
Accrued post-retirement healthcare cost	264,859	217,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

28 EMPLOYEE BENEFITS (continued)**Post-retirement healthcare (continued)**

- c) Movements in the accrued post-retirement healthcare cost during the year ended 31 December is as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
At 1 January	217,638	160,883
Net periodic post-retirement healthcare cost	41,917	31,237
Benefit payment	(5,049)	(4,099)
Exchange adjustment	<u>10,353</u>	<u>29,617</u>
At 31 December	<u>264,859</u>	<u>217,638</u>

- d) The effect of 1% change in assumed post-retirement healthcare cost trend rate would result in aggregate service and interest costs for the year ended 31 December and accumulated post-retirement healthcare benefit obligation as of 31 December was as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Increase		
Service and interest costs	47,218	37,077
Accumulated post-retirement healthcare benefit obligation	417,551	281,115
Decrease		
Service and interest costs	31,133	24,984
Accumulated post-retirement healthcare benefit obligation	284,580	197,771

As of 31 December 2010, the current portion of post-retirement healthcare cost included in accrued expenses (Note 30) amounted to QR 5,942,000 (2009: QR 4,959,000) and the non-current portion included in employee benefits amounted to QR 258,917,000 (2009: QR 212,679,000).

Defined Benefit Pension Plan/Labour Law No. 13/2003**i) Labour Law No. 13/2003**

Indosat, Lintasarta and IMM also accrue benefits under Indonesian Labor Law No. 13/2003 ("Labor Law") dated 25 March 2003. Their employees will receive the benefits under this law or defined benefit pension plan, whichever amount is higher.

The net periodic pension cost under the Labor Law for the year ended 31 December 2010 is calculated based on the actuarial valuations as of 31 December 2010. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<i>2010</i>	<i>2009</i>
Annual discount rate	8.5% - 9.0%	10.5%
Annual rate of increase in compensation	8.0% - 9.0%	9.0%-10.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

28 EMPLOYEE BENEFITS (continued)**i) Labour Law No. 13/2003 (continued)**

- a) The composition of the periodic pension cost under the Labor Law for the years ended 31 December 2010 and 2009 were as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Service cost	8,715	6,904
Interest cost	7,849	6,570
Amortisation of recognised actuarial loss	601	649
Immediate recognition of past service cost-vested benefit	-	319
Periodic pension cost	<u>17,165</u>	<u>14,442</u>

- b) The composition of the accrued pension cost under the Labour Law during the years ended 31 December 2010 and 2009 are as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Projected benefit obligations	88,195	72,786
Unrecognised actuarial loss	(6,985)	(10,516)
Unrecognised past service cost	<u>(3,901)</u>	<u>(4,009)</u>
Accrued pension costs	<u>77,309</u>	<u>58,261</u>

As of 31 December 2010, the current portion of pension cost under the Labor Law included in accrued expenses (Note 30) amounted to QR 1,188,000 (2009: QR 1,008,000) and the non-current portion included in employees service benefits amounted to QR 76,121,000 (2009: QR 57,253,000).

ii) Defined Benefit Pension Plan

The subsidiaries, Indosat, Satelindo and Lintasarta provide defined benefit pension plans to their respective employees under which pension benefits to be paid upon retirement are based on the employees' most recent basic salary and number of years of service. PT Asuransi Jiwasraya ("Jiwasraya"), a state-owned life insurance company, manages the plans. Pension contributions are determined by periodic actuarial calculations performed by Jiwasraya.

Based on an amendment dated 22 December 2000 of the subsidiaries pension plan, which was further amended on 29 March 2001, the benefits and premium payment pattern were changed. Before the amendment, the premium was regularly paid annually until the plan would be fully funded and the benefits consisted of retirement benefit (regular monthly or lump-sum pension) and death insurance. In conjunction with the amendment, the plan would be fully funded after making installment payments up to January 2002 of the required amount to fully fund the plan determined as of 1 September 2000. The amendment also includes an additional benefit in the form of thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri ("Moslem Holiday").

The amendment covers employees registered as participants of the pension plan as of 1 September 2000 and includes an increase in basic salary pension by 9% compounded annually starting from 1 September 2001. The amendment also stipulates that there will be no increase in the premium even in cases of mass employee terminations or changes in marital status.

The total premium installments based on the amendment amounted to QR 143,782,100 and were paid on due dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

28 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

On 1 March 2007, the Indosat entered into an agreement with Jiwasraya to provide defined death insurance plan to 1,276 employees as of 1 January 2007, who are not covered by the defined benefit pension plan as stated above. Based on the agreement, a participating employee will receive:

- Expiration benefit equivalent to the cash value at the normal retirement age, or
- Death benefit not due to accident equivalent to 100% of insurance money plus cash value when the employee dies not due to accident, or
- Death benefit due to accident equivalent to 200% of insurance money plus cash value when the employee dies due to accident.

The premium of QR 3,078,200 was fully paid on 29 March 2007. Subsequently, in August 2007, February to December 2008, January to December 2009 and January to December 2010, the subsidiary made payments for additional premium of QR 111,400 for additional 55 employees, QR 326,000 for additional 161 employees, QR 168,000 for additional 81 employees and QR 48,600 for additional 14 employees, respectively.

On 25 June 2003, Satelindo entered into an agreement with Jiwasraya to amend the benefits and premium payment pattern of the former's pension plan. The amendment covers employees registered as participants of the pension plan as of 25 December 2002 up to 25 June 2003. Other new conditions include the following:

- An increase in pension basic salary at 6% compounded annually starting from 25 December 2002.
- Thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri.
- An increase in periodic payment of retirement benefit at 6% compounded annually starting one year after receiving periodic retirement benefit for the first time.
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On 8 March 2010, the subsidiary's Directors issued decision letter No. 004/DIREKSI/2010 regarding the adjustment on the computation of regular monthly pension payment (PHT), lump-sum pension (THT), and lump-sum pension of active employees (THT of active employees) under a fully funded plan effective 1 January 2010. Such adjustment makes the subsidiary's legal or constructive obligation be limited to the amount that it agrees to contribute to the plan. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by the subsidiary to the plan, together with investment returns arising from the contributions. Consequently, the actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employees. This development results in the change of the subsidiary's fully funded plan with Jiwasraya to become a "Defined Contribution Pension Plan" effective 1 January 2010 and in the recognition of the remaining prepaid pension amounting to QR 48,832,000 as full expense in 2010.

On 15 April 2005, Lintasarta entered into an agreement with Jiwasraya to replace their existing agreement. Based on the new agreement, the benefits and premium payment pattern were changed. This agreement is effective starting 1 January 2005. The total premium installments based on the agreement amounted to QR 24,958,500 which is payable in 10 annual installments starting 2005 until 2015.

The new agreement covers employees registered as participants of the pension plan as of 1 April 2003. The conditions under the new agreement include the following:

- An increase in basic salary pension by 3% (previously was estimated at 8%) compounded annually starting 1 April 2003.
- An increase in periodic payment of retirement benefit at 5% compounded annually starting one year after receiving periodic retirement benefit for the first time.
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

28 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

On 2 May 2005, Lintasarta entered into an agreement with Jiwasraya to amend the above agreement. The amendment covers employees registered as participants of the pension plan as of 1 April 2003 up to 30 November 2004 with additional 10 annual premium installments totalling QR 669,500 which are payable starting 2005 until 2015.

The contributions made by Lintasarta to Jiwasraya amounted to QR 3,910,000 for the year ended 31 December 2010 (2009: QR 3,739,000).

The net periodic pension cost for the pension plans for the year ended 31 December 2010 is calculated based on the actuarial valuations as of 31 December 2010. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<i>2010</i>	<i>2009</i>
Annual discount rate	8.5% - 9.0%	10.5% - 10.7%
Expected annual rate of return on plan assets	4.5% - 8.0%	4.5% - 9.0%
Annual rate of increase in compensation	3.0%	3.0 - 9.0%
Mortality rate	TMI 1999	TMI 1999

a) The composition of the net periodic pension cost for the year ended 31 December was as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Interest cost	29,878	22,436
Service cost	16,730	13,927
Net amortisation	341	(504)
Return on plan assets	(28,640)	(24,461)
Net periodic pension cost	18,309	11,398

b) The funded status of the plans as of 31 December was as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Plan assets at fair value	345,465	315,176
Projected benefit obligation	(304,018)	(281,411)
Excess of plan assets over projected benefit obligation	41,447	33,765
Unrecognised actuarial loss	4,426	24,273
Total prepaid pension cost	45,873	58,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

28 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

c) Movement in the prepaid pension cost during the year ended 31 December was as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
At 1 January	58,038	57,567
Net periodical pension cost	(18,309)	(11,398)
Refund	(261)	(392)
Contribution	3,958	4,051
Exchange adjustment	2,447	8,210
At 31 December	45,873	58,038
Presented in the consolidated statement of financial position as follows:		
Current portion (Note 22)	776	945
Long-term portion (Note 19)	45,097	57,093
	45,873	58,038

Plan assets as of 31 December 2010 principally consisted of time deposits, debt securities, long-term investment in shares of stock and property.

Defined Contribution Pension Plan

In May 2001 and January 2003, the subsidiary PT Indosat Tbk and Satelindo assisted their employees in establishing their respective employees' defined contribution pension plans, in addition to the defined benefit pension plan as mentioned above. Starting June 2004, Indosat also assisted ex-IM3 employees in establishing their defined contribution pension plan. Under the defined contribution pension plan, the employees contribute 10% - 20% of their basic salaries, while the subsidiary does not contribute to the plans. Total contributions of employees for the year ended 31 December 2010 amounted to QR 18,857,000 (2009: QR 7,535,000). The plan assets are being administered and managed by seven financial institutions appointed by the Indosat and Satelindo, based on the choice of the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

29 OTHER NON-CURRENT LIABILITIES

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Communications and Media Commission (CMC) Iraq (i)	1,365,563	1,820,750
Ministry of Communication and Technology ('MOCIT') Indonesia (ii)	1,044,706	1,141,123
Non-current portion of negative fair value of derivatives (Note 32)	357,004	267,594
Ministry of Telecommunications and Information Technology- Palestine (Note 15)	197,903	182,736
Telecommunications Regulatory Commission ("TRC") Jordan (iii)	24,391	26,944
Site restoration provision (iv)	30,601	22,401
Others	165,231	58,933
Employee provisions (v)	222,343	285,606
	<u>3,407,742</u>	<u>3,806,087</u>

Notes:

- (i) In August 2007, the CMC granted Asiacell Communications LLC, Iraq ("ACL, Iraq") a 15 year license, which may be extended by an additional 5 years, to operate a public mobile terrestrial wireless cellular telecommunications network. The license requires that ACL, Iraq pay a license fee of QR 4,551,875,000 to the CMC of which QR 1,820,750,000 remains outstanding and is payable in four equal annual instalments, subject to 6% annual interest rate. The current portion of the instalment payable amounting to QR 455,188,000 is included under accounts payable and accruals (Note 30).
- (ii) This amount represents the amounts payable to the Ministry of Communication and Technology with respect to the 3G license and Broadband Wireless Access (WDA) and amounting to QR 985,061,000 (2009: QR 1,076,943,000) and QR 59,645,000 (2009: QR 64,180,000) respectively. The 3G license was obtained in two phases one during the year 2006 and 2009. The payment terms of the amount outstanding is based on a payment scheme considering the auction prices while obtaining the respective license and is subject to interest at the Certificate of Bank of Indonesia rate.
- (iii) Amounts payable to TRC represents the fair value of obtaining the Radio Spectrum License by a subsidiary in the Hashemite Kingdom of Jordan. As agreed with TRC, the subsidiary should settle the license costs amounting to QR 36,512,000 in annual instalments of QR 4,571,000 bearing a compound interest rate of 9%.
- (iv) This amount represents the site restoration provision in the books of a subsidiary as of the reporting date. The subsidiary is committed to restore each site as it is vacated.
- (v) Employee provision consists of entitlements of senior employees of the Company and certain subsidiaries of the Group to "shadow shares" that are settled in cash once the prescribed vesting period and vesting conditions under the plan are met. The Group fair values these entitlements at the end of every reporting year and upon settlement.

The current portion of these employee provisions amounting to QR 117,199,000 is included under accounts payable and accruals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

30 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Trade accounts payable	3,826,538	4,405,651
Accrued expenses	3,388,793	3,071,580
License costs payable (Note i)	459,759	255,442
Amounts due to international carriers	104,232	119,603
Negative fair value of derivatives (Note 32)	405,241	498,869
Other payables (Note ii)	<u>2,291,075</u>	<u>1,323,050</u>
	<u>10,475,638</u>	<u>9,674,195</u>

- (i) License costs payable include current portion of the unpaid license fees payable to Communications and Media Commission (CMC) Iraq and Telecommunications Regulatory Commission ("TRC") Jordan, as more explained in Notes 29 (i) and 29 (iii) respectively.
- (ii) Included in other payables is an amount of QR 294,498,000 (2009: QR 219,978,000) due to a Saudi operator for the usage of network which is net of costs incurred to setup and install the network equipment in the Saudi operator's facilities as per the BOT agreement.

31 DIVIDENDS AND BONUS SHARES*Dividends paid and proposed*

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Declared, accrued and paid during the year:		
Final dividend for 2009, QR 7 per share (2008 : QR 10 per share)	<u>1,026,667</u>	<u>1,466,667</u>
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December):		
Final dividend for 2010, QR 5 per share (2009 : QR 7 per share)	<u>733,334</u>	<u>1,026,667</u>

Bonus shares:

The Board of Directors has proposed the issue of bonus shares of 20% of the share capital as at 31 December 2010 amounting to QR 293,333,330 (2009 Nil) .

The proposed final dividend and bonus shares issue will be submitted for formal approval at the Annual General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

32 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not designated as hedging instruments

The Group uses cross currency swap contracts, currency forward contracts and interest rate swaps to manage some of the currency transaction exposure and interest rate exposure. These contracts are not designated as cash flow, fair value or net investment hedges and are accounted for as derivative financial instruments:

	<i>Notional amounts</i>	
	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Cross currency swaps	1,001,413	1,853,524
Currency forward contracts	6,155	777,718
Interest rate swaps	1,759,708	1,759,708
	<u>2,767,276</u>	<u>4,390,950</u>

	<i>Fair values</i>			
	<i>2010</i>		<i>2009</i>	
	<i>Positive</i> <i>QR'000</i>	<i>Negative</i> <i>QR'000</i>	<i>Positive</i> <i>QR'000</i>	<i>Negative</i> <i>QR'000</i>
Cross currency swaps	28,082	6,489	86,777	6,629
Currency forward contracts	16	105	3,164	213
Interest rate swaps	-	80,754	-	60,986
	<u>28,098</u>	<u>87,348</u>	<u>89,941</u>	<u>67,828</u>

Cash flow hedges

The Group has several interest rates swap agreements with a view to limit its floating interest rate exposure on its term loans. Under the interest rate swap arrangements, the Group will pay an agreed fixed interest rate and receive floating interest rates based on US\$ LIBOR.

The swap arrangements qualify for hedge accounting under IAS 39, the hedging relationship and objective, including details of the hedged items and hedging instruments are formally documented as the transactions are accounted as cash flow hedges.

The table below shows the positive and negative fair values of derivative financial instruments held as cash flow hedges together with the notional amounts:

	<i>Negative fair</i> <i>value</i> <i>QR'000</i>	<i>Positive fair</i> <i>value</i> <i>QR'000</i>	<i>Notional</i> <i>amounts</i> <i>QR'000</i>
Interest rate swaps			
<i>31 December 2010</i>	<u>674,897</u>	<u>2,260</u>	<u>23,666,548</u>
<i>31 December 2009</i>	<u>698,635</u>	<u>24,371</u>	<u>23,764,992</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

33 COMMITMENTS**Capital expenditure commitments**

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Property, plant and equipment		
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	<u>2,832,404</u>	<u>3,433,270</u>

Intangible assets

For the acquisition of Palestine mobile license	<u>515,641</u>	<u>515,637</u>

Operating lease commitments

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Future minimum lease payments:		
Not later than one year	180,612	121,683
Later than one year and not later than five years	515,269	418,193
Later than five years	<u>302,158</u>	<u>226,238</u>
Total operating lease expenditure contracted for at 31 December	<u>998,039</u>	<u>766,114</u>

34 CONTINGENT LIABILITIES

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Letters of guarantees	<u>493,341</u>	<u>579,133</u>
Letters of credit	<u>19,341</u>	<u>14,743</u>
Claims against the Group not acknowledged as debts	<u>4,678</u>	<u>11,518</u>

Legal action

On 6 June 2008, Qtel entered into a Share Purchase Agreement ("SPA") with STT Communications Ltd. ("STTC"), a subsidiary of Singapore Technologies Telemedia Pte. Ltd. ("STT"), pursuant to which Qtel, through its subsidiary, Qtel South East Asia Holding S.P.C. ("QSEA"), acquired 100% of both Indonesia Communications Limited ("ICLM") and Qatar Telecom (Qtel Asia) Pte Ltd. ("QA") from Asia Mobile Holdings Pte. Ltd. ("AMH"), which is 75% indirectly owned by STT and 25% indirectly owned by Qtel. ICLM and QA together owned 40.8% of the voting shares of PT Indosat Tbk. Under the SPA, Qtel was responsible for the seller's liabilities and associated costs which have arisen or may arise in relation to or in connection with the KPPU proceedings mentioned below.

In April 2007, QA, ICLM together with each of STT, STTC, AMH, Asia Mobile Holding Company Pte. Ltd. ("AMHC"), were summoned to appear before the Business Competition Supervisory Commission of the Republic of Indonesia ("KPPU") in response to allegations that each of them as well as Temasek Holdings (Private) Limited ("Temasek"), Singapore Telecommunications Ltd. ("SingTel") and Singapore Telecom Mobile Pte. Ltd. ("SingTel Mobile") (together, the "Foreign Reported Parties") are part of an alleged Temasek Business Group which has breached Article 27(a) of the Indonesian Law No. 5/1999 (the "Anti-Monopoly Law"). Other than Foreign Reported Parties, KPPU also summoned PT. Telkomsel in relation to allegations that PT. Telkomsel has breached Articles 17(1) and 25(1) of the Anti-Monopoly Law by consecutively implementing excessive cellular telecommunication tariff and abusing its dominion position in cellular telecommunication market in Indonesia (PT Telkomsel and Foreign Reported Parties all together are referred to as "Reported Parties").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

34 CONTINGENT LIABILITIES (continued)**Legal action (continued)**

The Commission Panel of the KPPU had ruled, amongst other things, that the Foreign Reported Parties had violated Article 27(a) of the Anti-Monopoly Law and ordered the Foreign Reported Parties to take the necessary actions as stipulated in the aforementioned ruling.

Subsequent to the ruling mentioned above, several appeals and a civil review petition had been submitted to the Central Jakarta District Court and the Supreme Court of Indonesia. Based on the final and binding Civil Review Decision No. 128 PK/PDT.SUS/2009 ("PK 128/2009") rendered by the Supreme Court, the civil review petitions against the Supreme Court Decision No. 496/K/Pdt.Sus/2008 ("SC 496/2008") had been rejected, and that PK 128/2009 reinforces SC 496/2008.

In accordance with PK 128/2009 in conjunction with SC 496/2008, the Reported Parties were required to each pay a fine amounting to Rp 15 billion (QR 6 million) to the State Treasury Account through the appointed Government bank. The Group has provided for the liability which is included in accounts payable and accruals (Note 30). This was subsequently settled in February 2011.

Filings against the Company

On 13 May 2010, Qatar Telecom (Qtel) Q.S.C. (Qtel) introduced Virgin Mobile branded services, styled as Virgin Mobile Qatar, into the Qatari mobile telecommunications marketplace. On 7 June 2010, Vodafone Qatar filed a complaint under the formal dispute resolution procedures issued by ictQATAR. Vodafone Qatar alleged in the complaint that Qtel's launch of Virgin Mobile services violated the Telecommunications Law because Virgin Mobile had been established as a third mobile telecommunications provider in Qatar without a license.

On 15 June 2010, Qtel filed an 'Answer' to the Complaint filed by Vodafone Qatar. Qtel defended its relationship with Virgin Mobile as a branding arrangement that is consistent with Qatari law and international best practice.

ictQATAR has conducted an investigation which included filings by both Qtel and Vodafone Qatar, and considered applicable Qatari law, relevant facts, and, where appropriate, international best practices. After due consideration, ictQATAR concluded that Virgin Mobile is a branded service of Qtel and not an unlicensed third mobile telecommunications provider. Virgin Mobile is not present in Qatar, either as an actual provider, seller, or reseller of mobile telecommunications services, nor has Qtel established a separate corporate entity to resell its Virgin Mobile branded services. As such, the provision of Qtel's Virgin Mobile-branded service does not require a license under Article 9 of the Telecommunications Law.

However, ictQATAR has determined that Qtel's Virgin Mobile was marketed in a way that was misleading for the period commencing 13 May 2010 and ending 18 May 2010. In addition, ictQATAR has determined that Qtel should be compelled to pay an appropriate fine for such actions during this period and has referred this matter to the Office of the Attorney General for assessment of an appropriate penalty. Furthermore, it has been suggested that Qtel's actions during this period may constitute violations of other Qatari laws. ictQATAR has referred these issues to the Office of the Attorney General for further action.

Qtel awaits decisions from the Office of the Attorney General on the referral above and hence no provision has been made in the consolidated financial statements of the Group for the year ended 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

35 TAX CLAIM

A tax claim was made to the joint venture, Tunisiana in 2007, relating to the electronic recharge sales made in 2006. The total amount claimed by the Tunisian Tax Authority was equivalent to QR 177,902,000 without penalties (2009: QR 189,901,000).

In May 2007, Tunisiana received the first judgement which reduced the claimed amount to QR 38,662,000 (2009: QR 41,421,000). In 2007, Tunisiana filed an appeal against the first judgement.

Tunisiana has made a total provision of QR 38,662,000 (2009: QR 41,421,000) with regards to this claim and deposited the amount claimed with the Public Treasury in 2008. In 2009, the court of appeal confirmed its first judgement. Tunisiana has appealed to the cassation court and awaits the decision.

On the basis of the information available at the reporting date, management believes that the provision is adequate.

36 FINANCIAL RISK MANAGEMENT

Objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, finance leases, and accounts payable. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable, investments and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps, cross currency swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk and operational risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Interest rate risk

The Group's financial assets and liabilities that are subject to interest rate risk comprise bank deposits, loans receivable, available-for-sale debt instruments, interest bearing loans and borrowings. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates and fixed interest instruments maturing within three months from the end of the financial reporting year.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional amount. The swaps are designated to hedge underlying debt obligations. At 31 December 2010, after taking into the effect of interest rate swaps, approximately 75% of the Group's borrowings are at a fixed rate of interest (2009: 71%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

36 FINANCIAL RISK MANAGEMENT (continued)**Interest rate risk (continued)**

The following table demonstrates the sensitivity of the income statement and equity to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the income statement and equity is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	<i>Income statement</i> +25 b.p QR'000	<i>Equity</i> +25 b. p QR'000
<i>At 31 December 2010</i>		
US\$ LIBOR	(27,359)	30,034
Others	(1,699)	-
<i>At 31 December 2009</i>		
US\$ LIBOR	(52,945)	30,553
Others	(2,728)	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in foreign subsidiaries.

The Group had the following significant net exposure denominated in foreign currencies.

	<i>2010</i> <i>QR'000</i> <i>Assets</i> <i>(Liabilities)</i>	<i>2009</i> <i>QR'000</i> <i>Assets</i> <i>(Liabilities)</i>
Indonesian Rupiah (Rp)	3,662,563	3,774,964
KD	5,895,629	5,682,463
US Dollars (US\$)	(7,650,079)	(5,264,287)
Euro	(165,817)	(1,345,426)
GBP	(5,029)	1,268
Others	(225,921)	(66,874)

The US Dollar denominated balances are not considered to represent a significant currency risk as QR is pegged to US\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

36 FINANCIAL RISK MANAGEMENT (continued)**Foreign currency risk (continued)**

The following table demonstrates the sensitivity to income statement and equity for a reasonably possible change in the following currencies against QR, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets, liabilities and forward exchange contracts and the Group's equity on account of translation of foreign subsidiaries. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown:

	<i>Effect on income statement</i>		<i>Effect on equity</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>+10%</i>	<i>+10%</i>	<i>+10%</i>	<i>+10%</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Indonesian Rupiah	-	-	366,256	377,496
KD	-	-	589,563	568,246
US Dollars	(765,008)	(526,429)	-	-
Euro	(16,582)	(134,543)	-	-
GBP	(503)	126	-	-

Equity price risk

The following table demonstrates the sensitivity of the fair value reserve to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	<i>Changes in</i>	<i>Effect on equity</i>
	<i>equity indices</i>	<i>QR'000</i>
	<i>QR'000</i>	
2010		
Qatar Exchange (QE)	+10%	49,640
Kuwait Stock Exchange (KSE)	+15%	7,425
2009		
Qatar Exchange (QE)	+10%	43,947
Kuwait Stock Exchange (KSE)	+15%	8,068

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of account receivables, bank balances, available-for-sale debt instruments and loans receivable and positive fair value of derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

36 FINANCIAL RISK MANAGEMENT (continued)**Credit risk (continued)**

The Group provides telecommunication services to various parties. It is the Group's policy that all customers who wish to obtain on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the purchase of service limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to the trade accounts receivable net of allowance for impairment as at 31 December is as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Qatar	615,062	437,931
Other countries	<u>1,565,932</u>	<u>1,389,007</u>
	<u>2,180,994</u>	<u>1,826,938</u>

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments are as follows:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
Available-for-sale debt instruments	117,227	160,264
Bank balances (excluding cash)	25,536,973	11,485,854
Positive fair value of derivatives	30,358	114,312
Amounts due from international carriers	98,703	52,644
Unbilled subscriber revenue	280,471	336,422
Other non-current assets	<u>140,437</u>	<u>178,656</u>
	<u>26,204,169</u>	<u>12,328,152</u>

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks, 75% of bank balances represents balances maintained with local banks in Qatar with a rating of A+ for long term and A1 for short term. Credit risk arising from derivative financial instruments is at any time, limited to those with positive fair values, as recorded on the consolidated statement of financial position. With gross settled derivatives, the Group is also exposed to settlement risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of Groups own reserves and bank facilities. The Group's terms of sales require amounts to be paid within 30 days from the invoiced date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

36 FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk (continued)**

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

	<i>On demand QR'000</i>	<i>Less than 1 year QR'000</i>	<i>1 to 2 years QR'000</i>	<i>2 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2010						
Interest bearing loans and borrowings	1,710	4,815,303	15,153,921	19,177,445	20,405,155	59,553,534
Trade accounts payable	-	3,826,538	-	-	-	3,826,538
License costs payable	-	834,915	789,290	1,850,040	308,795	3,783,040
Other financial liabilities	-	3,405,377	387,574	248,062	-	4,041,013
	<u>1,710</u>	<u>12,882,133</u>	<u>16,330,785</u>	<u>21,275,547</u>	<u>20,713,950</u>	<u>71,204,125</u>
	<i>On demand QR'000</i>	<i>Less than 1 year QR'000</i>	<i>1 to 2 years QR'000</i>	<i>2 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2009						
Interest bearing loans and borrowings	4,942	3,869,562	11,143,860	23,606,833	5,216,327	43,841,524
Trade accounts payable	-	4,405,651	-	-	-	4,405,651
License costs payable	-	623,977	980,563	2,128,040	405,463	4,138,043
Other financial liabilities	-	5,030,143	58,933	267,594	-	5,356,670
	<u>4,942</u>	<u>13,929,333</u>	<u>12,183,356</u>	<u>26,002,467</u>	<u>5,621,790</u>	<u>57,741,888</u>

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year end 31 December 2010 and 31 December 2009.

Capital includes share capital, legal reserve, and retained earnings and is measured at QR 17,199,591,000 at 31 December 2010 (2009: QR 14,849,964,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

37 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	<i>Carrying amounts</i>		<i>Fair values</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Financial assets				
Available-for-sale investments	1,862,006	1,698,758	1,862,006	1,698,758
Other non-current assets	140,437	178,656	140,437	178,656
Accounts receivable	2,590,526	2,330,316	2,590,526	2,330,316
Bank balances and cash	25,575,667	11,511,570	25,575,667	11,511,570
Financial liabilities				
Interest bearing loans and borrowings	46,852,196	36,085,668	46,210,611	36,527,050
Other non-current liabilities	2,880,625	3,439,147	2,880,625	3,439,147
Accounts payable	7,195,787	6,888,221	7,195,787	6,888,221
Current account with State of Qatar	2,891,194	2,803,015	2,891,194	2,803,015
Income tax payable	461,451	391,492	461,451	391,492

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

- Cash and short-term deposits, trade accounts receivable, trade accounts payable, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. At the end of the reporting period, the carrying amounts of such receivables, net of allowances, approximate their fair values.
- Fair value of quoted investments is based on price quotations at the end of the reporting period. The fair value of unquoted investments, loans from banks and other financial indebtedness, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates applicable for similar risks and maturity profiles. Fair value of unquoted financial assets are estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counter parties, foreign exchange spot and forward rates and interest rate curves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair values are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Financial assets

	<i>2010</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available- for- sale investments	1,574,733	662,270	794,584	117,879
Derivative financial instruments	30,358	-	30,358	-
	<u>1,605,091</u>	<u>662,270</u>	<u>824,942</u>	<u>117,879</u>

	<i>2009</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available- for- sale investments	1,429,433	599,703	682,825	146,905
Derivative financial instruments	114,312	-	114,312	-
	<u>1,543,745</u>	<u>599,703</u>	<u>797,137</u>	<u>146,905</u>

Financial liabilities

	<i>2010</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Derivative financial instruments	762,245	-	762,245	-
	<u>762,245</u>	<u>-</u>	<u>762,245</u>	<u>-</u>

	<i>2009</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Derivative financial instruments	766,463	-	766,463	-
	<u>766,463</u>	<u>-</u>	<u>766,463</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Financial liabilities (continued)**

The following table shows a reconciliation of the opening and closing amount of Level 3 financial instruments which were recorded at fair value:

	<i>2010</i> <i>QR'000</i>	<i>2009</i> <i>QR'000</i>
At 1 January	146,905	79,834
Transfers into Level 3	-	150,008
Gain (loss) to consolidated income statement	(182)	(74,934)
Revaluation gain (loss) transferred to fair value reserve	22,295	(368)
Purchases (Sales)	(53,045)	(6,509)
Exchange differences	1,906	(1,126)
At 31 December	<u>117,879</u>	<u>146,905</u>

38 RELATED PARTY DISCLOSURES**Related party transactions and balances**

Related parties represent associated companies including Government and semi Government agencies, associates, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. In the ordinary course of business the Group enters into transactions with related parties. Pricing policies and terms of transactions are approved by the Group's management.

The Group has significant transactions with the Government of Qatar which mainly represents royalty payable (Note 12). The current account payable to the State of Qatar amounts to QR 2,891,194,000 (2009: QR 2,803,015,000). In addition, the Group enters into commercial transactions with other Government related entities in the ordinary course of business which includes of providing telecommunication services, placement of deposits and obtaining credit facilities.

Amounts due from Directors' for services provided under the ordinary course of business amounting to QR 178,000 (2009: QR 126,000) is included under the caption "Trade accounts receivable" in Note 22.

Transactions with Directors and other key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility of planning, directing and controlling the activities of the Group.

Directors' remuneration of QR 10,700,000 was proposed for the year ended 31 December 2010 (2009: QR 10,700,000). In addition, an amount of QR 724,000 (2009: QR 700,000) was provided to members of the Committees of the Board of Directors. The compensation and benefits related to key management personnel amounted to QR 153,101,000 (2009: QR 121,192,000) and end of service benefits amounted to QR 15,664,000 (2009: QR 11,226,000). The remuneration to the Board of Directors has been included under the caption "Employee salaries and associated costs" in Selling, general and administrative expenses in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

39 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. All investments are classified as "available-for-sale".

Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20-30% or more and "prolonged" greater than nine (9) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Fair value of unquoted equity investments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

39 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**Revenue recognition- Nojoom, point plus and points more for loyalty programmes**

The Group estimates the fair value of points awarded under the Nojoom, point plus and points more programme by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As points issued under the programme do not expire, such estimates are subject to significant uncertainty.

40 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to individual cash generating units (CGUs) for impairment testing as follows:

Cash generating units	<i>Carrying value 2010 QR'000</i>	<i>Carrying value 2009 QR'000</i>
Kuwait	609,162	598,611
Algeria	2,293,787	2,254,058
Tunisia	2,218,131	2,179,710
Indonesia	4,870,071	4,658,132
Iraq	353,408	353,408
Others	76,069	75,405
	10,420,628	10,119,324

During the year, an impairment of QR 36,251,000 (2009: QR 68,861,000) has been made against intangible relating to one of NMTC's, subsidiaries WARF Telecom International Private Limited (WARF) included in others.

Goodwill was tested for impairment as at 31 December 2010. The recoverable amount of the CGUs was determined based on value in use calculated using cash flows projections by senior management covering a period of five to ten years. In case the management considers, the annual growth rate of the CGUs being assessed will differ from the average growth rates for the countries concerned, a period of more than five years is used.

Key Assumptions used in Value in use calculations**Key Assumptions**

The principal assumptions used in the projections relate to the number of subscribers, in roaming revenue, average revenues per user, operating costs, taxes and EBITDA. The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

Discount rates

Discount rates reflect management's estimate of the risks specific to each unit. Discount rates are based on a weighted average cost of capital for each CGU. In determining appropriate discount rates for each unit, regard has been given to the yield on a ten-year US Treasury bond and specific risk factors for each country.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

40 IMPAIRMENT TESTING OF GOODWILL (continued)**Growth rate estimates**

For the periods beyond that covered by the projections, long-term growth rates are based on management's best estimates of the growth rates relevant to telecommunications industry in the particular country.

Kuwait :

Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 10.6% (2009: 10.1%) with a terminal growth rate of 2.75% (2009: 2.75%).

Algeria:

Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 12.2% (2009: 11.2%) with a terminal growth rate of 2.75% (2009: 2.75%).

Tunisia:

Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 10.1% (2009: 9.7%) with a terminal growth rate of 2.75% (2009: 2.75%).

Indonesia:

Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 12.7% (2009: 14.0%) with a terminal growth rate of 2.75% (2009: 2.75%).

Iraq :

Pre tax risk adjusted discount rate used in the testing at 31 December 2010 was 15.1% (2009: 19.0%) with a terminal growth rate of 2.75% (2009: 2.75%).

Management considers that changes to the discount rate could cause the carrying value of the following CGUs to exceed their recoverable amount:

Kuwait: If the discount rate is increased by 1.20% the recoverable amount equals the carrying value.

Algeria: If the discount rate is increased by 1.45% the recoverable amount equals the carrying value.

Tunisia: If the discount rate is increased by 1.45% the recoverable amount equals the carrying value.

Indonesia: If the discount rate is increased by 6.48% the recoverable amount equals the carrying value.

Iraq: If the discount rate is increased by 36.80% the recoverable amount equals the carrying value.

41 SEGMENT INFORMATION

For management reporting purposes, the Group is organized into business units based on their geographical area covered, and has five reportable operating segments as follows;

Qtel is a provider of domestic and international telecommunication services within the State of Qatar.

ACL, Iraq is a provider of mobile telecommunication services in Iraq.

Wataniya is a provider of mobile telephone and pager systems and services in Kuwait and elsewhere in the Middle East and North African (MENA) region.

Indosat is a provider of telecommunication services such as cellular services, fixed telecommunications, multimedia, data communication and internet services in Indonesia.

Nawras is a provider of mobile telecommunication services in Oman and has also been awarded a license to operate fixed telecommunication services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of these segments. Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

41 SEGMENT INFORMATION (continued)

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2010 and 2009:

Year ended 31 December 2010

	<i>Qtel</i> <i>QR'000</i>	<i>ACL, Iraq</i> <i>QR'000</i>	<i>Wataniya</i> <i>QR'000</i>	<i>Indosat</i> <i>QR'000</i>	<i>Nawras</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Adjustments and eliminations</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Revenue								
Third party	5,299,222	4,979,835	6,942,710	7,929,272	1,855,496	172,464	-	27,178,999
Inter-segment	100,362	74,484	75,632	12,411	8,687	249,021	(520,597) (i)	-
Total revenue	5,399,584	5,054,319	7,018,342	7,941,683	1,864,183	421,485	(520,597)	27,178,999
Results								
Segment profit before tax	2,135,935	1,500,009	1,282,980	513,641	592,371	(601,037)	(790,427) (ii)	4,633,472
Depreciation and amortisation	641,332	688,302	1,269,382	2,632,297	229,587	66,089	790,427 (iii)	6,317,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2010

41 SEGMENT INFORMATION (continued)

Year ended 31 December 2009

	<i>Qtel</i> <i>QR '000</i>	<i>ACL, Iraq</i> <i>QR '000</i>	<i>Wataniya</i> <i>QR '000</i>	<i>Indosat</i> <i>QR '000</i>	<i>Nawras</i> <i>QR '000</i>	<i>Others</i> <i>QR '000</i>	<i>Adjustments and eliminations</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
Revenue								
Third party	5,641,367	3,972,708	6,089,738	6,575,074	1,623,952	122,417	-	24,025,256
Inter-segment	44,870	25,469	5,405	3,934	888	162,300	(242,866) (i)	-
Total revenue	<u>5,686,237</u>	<u>3,998,177</u>	<u>6,095,143</u>	<u>6,579,008</u>	<u>1,624,840</u>	<u>284,717</u>	<u>(242,866)</u>	<u>24,025,256</u>
Results								
Segment profit before tax (restated)	<u>1,887,656</u>	<u>1,091,632</u>	<u>1,665,515</u>	<u>902,735</u>	<u>493,071</u>	<u>(528,001)</u>	<u>(966,360)⁽ⁱⁱ⁾</u>	<u>4,546,248</u>
Depreciation and amortisation	<u>599,614</u>	<u>565,381</u>	<u>1,055,494</u>	<u>2,064,466</u>	<u>194,545</u>	<u>29,018</u>	<u>975,723 (iii)</u>	<u>5,484,241</u>
(i) Inter-segment revenues are eliminated on consolidation.								
(ii) Segment profit before tax does not include the following:								
			2010 QR '000		2009 QR '000 <i>(Restated)</i>			
Amortisation of additional intangibles identified in PPA			(790,427)		(975,723)			
Impairment of goodwill			-		(68,861)			
Write back of negative goodwill			-		78,224			
			<u>(790,427)</u>		<u>(966,360)</u>			
(iii) Amortisation relating to additional intangibles identified from business combination was not considered as part of segment expense.								

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

41 SEGMENT INFORMATION (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2010 and 2009.

	<i>Qtel</i> <i>QR'000</i>	<i>ACL, Iraq</i> <i>QR'000</i>	<i>Wataniya</i> <i>QR'000</i>	<i>Indosat</i> <i>QR'000</i>	<i>Nawras</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Adjustments and eliminations</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Segment assets (i)								
At 31 December 2010	<u>29,312,421</u>	<u>7,838,815</u>	<u>25,126,862</u>	<u>24,634,552</u>	<u>2,754,167</u>	<u>1,311,131</u>	<u>10,420,628</u>	<u>101,398,576</u>
At 31 December 2009	<u>15,968,079</u>	<u>7,225,192</u>	<u>23,773,916</u>	<u>24,716,402</u>	<u>1,965,171</u>	<u>1,193,009</u>	<u>10,119,324</u>	<u>84,961,093</u>
Capital expenditure (ii)								
At 31 December 2010	<u>1,323,468</u>	<u>1,351,582</u>	<u>1,366,259</u>	<u>2,216,969</u>	<u>701,264</u>	<u>176,076</u>	<u>-</u>	<u>7,135,618</u>
At 31 December 2009	<u>938,526</u>	<u>1,229,057</u>	<u>1,426,738</u>	<u>5,303,339</u>	<u>492,947</u>	<u>187,988</u>	<u>-</u>	<u>9,578,595</u>

Notes:

- (i) Goodwill amounting to QR 10,420,628,000 (31 December 2009: QR 10,119,324,000) was not considered as part of segment assets as goodwill is managed on a group basis.
- (ii) Capital expenditure consists of additions to property, plant and equipment and intangibles excluding goodwill and assets from business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

42 COMPARATIVE INFORMATION**(i) Restatements**

- (a) According to Qatari Law No. 13 for the year 2008 and the related clarifications issued in January 2010, the group is required to contribute 2.5% of its annual net profits to the state social and sports fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income.

During the year, the group appropriated an amount of QR 42,500,000 representing 2.5% of the net profit generated from Qatar Operation the contribution payable for the year ended 31 December 2009. This appropriation has been considered as a restatement of the 2009 consolidated statement of income in accordance with IAS 8, Accounting policies, changes in accounting estimates and errors.

Subsequently, the Group made an additional appropriation of QR 51,553,000 representing the contribution payable for the year ended 31 December 2010.

- (b) The retrospective application of the amendments to IAS 17 has resulted in the classification of certain land lease rights as finance leases with a lease term of 50 years. The impact of such restatement on the consolidated statement of financial position as at 1 January 2009 is as follows:

	<i>Increase/ (decrease)</i> <i>QR'000</i>
Property, plant and equipment	163,302
Other non-current assets	(146,383)
Retained earnings	11,090
Non-controlling interests	6,105
Deferred tax liability	(276)

(ii) Reclassifications

Corresponding figures for 2009 have been reclassified in order to conform with the presentation for the current period. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or shareholder's equity.

	<i>2009</i> <i>QR'000</i>	<i>As previously reported</i>	<i>As reclassified</i>
<i>Income statement</i>			
Depreciation & amortisation	5,489,762	As part of general and administrative expenses	Disclosed as separate line item on the face of income statement
Gain (Loss) on foreign currency exchange (net)	563,343	Disclosed as separate line item in the face of income statement	As part of Other income (expenses)-Net
Profit (loss) on disposal of AFS	16,398	Disclosed as separate line item in the face of income statement	As part of Other income (expenses)-Net
Interest income	446,635	As part of Other income	Disclosed as part of Finance cost-Net
Other statutory fees	65,919	As part of general and administrative expenses	As part of Royalty and fees
Loss on change in fair value of derivatives	187,190	As part of other expenses under General and administrative expenses	As part of Other income (expenses)-Net
Selling, general and administration expenses	1,378,204	As part of General and administrative expenses	As part of Operating expenses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

43 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Subsequent to year end, the Group has acquired an additional 25% interest in Orascom Telecom Tunisie S.A ('Tunisiana') for a total cash consideration of KD 188,680 thousand (QR 2,447,085,000). This resulted in increasing the Group's ownership interest in Tunisiana from 50% to 75%. In addition, the Group is able to exercise control over the entity and therefore, Tunisiana will be treated and accounted for as a subsidiary starting from the first reporting period after the acquisition date. The management is in the process of determining the fair value of the previously held interest in Tunisiana.

Qatar Telecom (Qtel) Q.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR TELECOM (QTEL) Q.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Telecom (Qtel) Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
QATAR TELECOM (QTEL) Q.S.C. (continued)**

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal Requirements

Furthermore, in our opinion proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.



Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 7 March 2010
Doha



CONSOLIDATED INCOME STATEMENT
Year Ended 31 December 2009

	<i>Notes</i>	2009 QR'000	2008 QR'000 <i>(Restated)</i>
Revenue	6	24,025,256	20,318,927
Other income	7	1,198,054	543,408
General and administrative expenses	8	(12,639,901)	(9,251,246)
Other operating expenses	9	(5,949,402)	(5,428,700)
Gain (loss) on foreign currency exchange (net)		563,343	(443,548)
Profit (loss) on disposal of available-for-sale investments		16,398	(6,249)
Impairment loss on intangibles, investment in associates and available-for-sale investments		(386,776)	(131,321)
Finance costs	10	(1,944,868)	(1,595,998)
Share of results of associates	16	9,358	(50,579)
Royalties and fees	11	(393,235)	(835,656)
PROFIT BEFORE TAX		4,498,227	3,119,038
Income tax	19	(617,102)	(190,784)
PROFIT FOR THE YEAR		3,881,125	2,928,254
Attributable to:			
Shareholders of the parent		2,779,909	2,306,446
Non-controlling interests		1,101,216	621,808
		3,881,125	2,928,254
BASIC AND DILUTED EARNINGS PER SHARE	12	18.95	17.68
(attributable to shareholders of the parent)			
(expressed in QR per share)			

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2009

	<i>Notes</i>	2009 QR'000	2008 QR'000 (Restated)
Profit for the year		<u>3,881,125</u>	<u>2,928,254</u>
Other comprehensive income			
Net gain (loss) on available-for-sale investments	25	212,788	(343,031)
Net gain (loss) on cash flow hedges	25	76,627	(725,174)
Exchange differences on translation of foreign operations	25	1,635,423	(1,872,310)
Share of other comprehensive income (expense) of associates	25	6,276	(10,092)
Tax relating to components of other comprehensive income	25	1,410	(788)
Other comprehensive income (expense) for the year, net of tax		<u>1,932,524</u>	<u>(2,951,395)</u>
Total comprehensive income (expense) for the year		<u>5,813,649</u>	<u>(23,141)</u>
Attributable to:			
Shareholders of the parent		4,371,860	139,615
Non-controlling interests		<u>1,441,789</u>	<u>(162,756)</u>
		<u>5,813,649</u>	<u>(23,141)</u>

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 QR'000	2008 QR'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	13	29,597,692	23,351,567
Intangible assets	14	34,104,052	32,671,282
Investment in associates	16	1,944,635	1,873,892
Available-for-sale investments	17	1,698,758	1,916,947
Other non-current assets	18	1,274,514	920,743
Deferred tax asset	19	353,202	435,664
		<u>68,972,853</u>	<u>61,170,095</u>
Current assets			
Inventories	20	254,531	272,257
Accounts receivable and prepayments	21	4,199,699	3,862,268
Bank balances and cash	22	11,511,570	7,845,307
		<u>15,965,800</u>	<u>11,979,832</u>
TOTAL ASSETS		<u>84,938,653</u>	<u>73,149,927</u>
EQUITY AND LIABILITIES			
Attributable to shareholders of the parent			
Share capital	23	1,466,667	1,466,667
Legal reserve	24	6,494,137	6,494,137
Fair value reserve		(185,501)	(458,678)
Translation reserve		955,055	(363,719)
Retained earnings		6,875,150	5,561,908
		<u>15,605,508</u>	<u>12,700,315</u>
Non-controlling interests		<u>13,826,899</u>	<u>14,237,928</u>
Total equity		<u>29,432,407</u>	<u>26,938,243</u>

Continued.....

The attached notes 1 to 41 form part of these consolidated financial statements

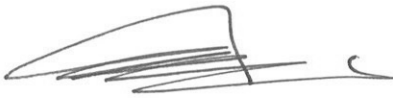
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2009

	Notes	2009 QR'000	2008 QR'000 (Restated)
Non-current liabilities			
Interest bearing loans and borrowings	26	33,798,433	20,155,201
Employees benefits	27	605,490	501,627
Deferred tax liability	19	1,530,687	1,334,232
Other non-current liabilities	28	3,520,481	3,446,131
		<u>39,455,091</u>	<u>25,437,191</u>
Current liabilities			
Accounts payable and accruals	29	9,959,801	9,709,397
Current account with State of Qatar		2,803,015	1,905,921
Deferred income		1,012,438	746,650
Interest bearing loans and borrowings	26	1,884,409	7,820,082
Income tax payable		391,492	592,443
		<u>16,051,155</u>	<u>20,774,493</u>
Total liabilities		<u>55,506,246</u>	<u>46,211,684</u>
TOTAL EQUITY AND LIABILITIES		<u>84,938,653</u>	<u>73,149,927</u>



Abdullah Bin Mohamed Bin Saud Al-Thani
Chairman



Ali Shareef Al-Emadi
Member of the Board

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2009

	Notes	2009 QR'000	2008 QR'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		4,498,227	3,119,038
Adjustments for:			
Depreciation and amortisation	8	5,489,762	3,982,045
Dividend and interest income	7	(475,209)	(325,451)
Impairment loss on intangibles, investment in associates and available-for-sale investments		386,776	131,321
(Profit) loss on disposal of available-for-sale investments		(16,398)	6,249
Loss (profit) on disposal of plant and equipment	7	771	(2,939)
Ineffective portion of cash flow hedges	25	(8,605)	9,115
Finance costs	10	1,944,868	1,595,998
Negative goodwill released to the income statement	14	(78,224)	-
Provision for employees end of service benefits	27	113,680	112,165
Share of results of associates	16	(9,358)	50,579
		11,846,290	8,678,120
Working capital changes:			
Inventories		21,470	(71,876)
Receivables		(333,533)	(1,184,138)
Payables		751,113	(314,841)
Cash from operations		12,285,340	7,107,265
Finance costs paid		(1,481,239)	(1,459,065)
Employees' end of service benefits paid	27	(52,877)	(4,612)
Income tax paid		(783,095)	(45,751)
Net cash from operating activities		9,968,129	5,597,837
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(8,392,979)	(5,663,325)
Additions to intangible assets	14	(1,123,600)	(1,170,606)
Acquisition of subsidiaries, net of cash acquired	4	(20,733)	(2,857,680)
Acquisition of non-controlling interests	4	(3,009,888)	(205,697)
Additional investment in associates		-	(152,159)
Proceeds from associate		-	1,072,275
Purchase of available-for-sale investments		(31,812)	(118,281)
Proceeds from disposal of plant and equipment		11,669	10,603
Proceeds from sale of available-for-sale investments		207,609	60,487
Net movement in other non-current assets		(353,771)	(205,399)
Net movement in restricted deposits		173,789	(194,094)
Dividend and interest income	7	475,209	325,451
Net cash used in investing activities		(12,064,507)	(9,098,425)

Continue.....

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year Ended 31 December 2009

	<i>Notes</i>	2009 QR'000	2008 QR'000 <i>(Restated)</i>
FINANCING ACTIVITIES			
Proceeds from rights issue		-	5,860,804
Proceeds from interest bearing loans and borrowings		15,372,155	1,300,031
Repayment of interest bearing loans and borrowings		(7,456,034)	(1,400,295)
Additions to deferred financing costs	26	(398,839)	(114,392)
Dividends paid to shareholders of the parent		(660,000)	(200,000)
Dividend paid to non-controlling interests		(265,729)	(147,001)
Non-controlling interests contributions		-	36,679
Net movement in non-controlling interests		(18,349)	281,535
Net movement in other non-current liabilities		74,350	2,842,893
Net cash from financing activities		6,647,554	8,460,254
INCREASE IN CASH AND CASH EQUIVALENTS		4,551,176	4,959,666
Net foreign exchange differences		(715,504)	(544,180)
Cash and cash equivalents at 1 January		7,650,651	3,235,165
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	11,486,323	7,650,651

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2009

	<i>Attributable to shareholders of the parent</i>						<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Translation reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>QR '000</i>	<i>QR '000</i>
At 1 January 2009, as previously reported	1,466,667	6,494,137	(458,678)	248,907	5,532,674	13,283,707	15,677,925	28,961,632
Adjusted as a result of PPA exercise carried out during the year for subsidiaries acquired in 2008 (Note 4)	-	-	-	(612,626)	29,234	(583,392)	(1,439,997)	(2,023,389)
At 1 January 2009 (restated)	1,466,667	6,494,137	(458,678)	(363,719)	5,561,908	12,700,315	14,237,928	26,938,243
Profit for the year	-	-	-	-	2,779,909	2,779,909	1,101,216	3,881,125
Other comprehensive income	-	-	273,177	1,318,774	-	1,591,951	340,573	1,932,524
Total comprehensive income	-	-	273,177	1,318,774	2,779,909	4,371,860	1,441,789	5,813,649
Final dividend payable for 2008 (Note 30)	-	-	-	-	(1,466,667)	(1,466,667)	-	(1,466,667)
Dividends of subsidiaries	-	-	-	-	-	-	(265,729)	(265,729)
Acquisition of non-controlling interests (Note 4.2)	-	-	-	-	-	-	(1,568,740)	(1,568,740)
Net movement in non-controlling interests	-	-	-	-	-	-	(18,349)	(18,349)
At 31 December 2009	1,466,667	6,494,137	(185,501)	955,055	6,875,150	15,605,508	13,826,899	29,432,407

Continue.....

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year Ended 31 December 2009

	<i>Attributable to shareholders of the parent</i>						<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Translation reserve</i>	<i>Retained earnings</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>	<i>QR '000</i>	<i>QR '000</i>		
At 1 January 2008	1,000,000	1,000,000	600,759	743,675	3,555,462	6,899,896	9,616,670	16,516,566
Profit for the year	-	-	-	-	2,306,446	2,306,446	621,808	2,928,254
Other comprehensive expense	-	-	(1,059,437)	(1,107,394)	-	(2,166,831)	(784,564)	(2,951,395)
Total comprehensive income	-	-	(1,059,437)	(1,107,394)	2,306,446	139,615	(162,756)	(23,141)
Final dividend payable for 2007 (Note 30)	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Dividends of subsidiaries	-	-	-	-	(100,000)	-	(147,001)	(147,001)
Capitalisation of bonus shares for 2007 (Note 30)	100,000	-	-	-	-	-	-	-
Rights share issue	366,667	5,494,137	-	-	-	5,860,804	-	5,860,804
Contributions	-	-	-	-	-	-	36,679	36,679
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-
(Notes 4.3, 4.4, 4.5 & 4.6)	-	-	-	-	-	-	4,612,801	4,612,801
Net movement in non-controlling interests	-	-	-	-	-	-	281,535	281,535
At 31 December 2008 (Restated)	1,466,667	6,494,137	(458,678)	(363,719)	5,561,908	12,700,315	14,237,928	26,938,243

The attached notes 1 to 41 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Public Telecommunications Corporation (the “Corporation”) was formed on 29 June 1987 domiciled in the State of Qatar by Law No. 13 of 1987 to provide domestic and international telecommunication services within the State of Qatar.

The Corporation was transformed into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. (the “Company”) on 25 November 1998, pursuant to Law No. 21 of 1998. Under that Law, Qatar Telecom (Qtel) Q.S.C. was exclusively entitled to provide domestic and international telecommunication services in Qatar for a period of 15 years and had the right to own, operate, maintain and develop telecommunications network within and outside Qatar.

The privileges granted to Qatar Telecom (Qtel) Q.S.C. under Law No. (21) of 1998 was cancelled from the effective date of Law No. 34 of 2006 issued on 6 November 2006. In accordance with this Law, the powers and competencies previously vested on Qatar Telecom (Qtel) Q.S.C. in connection with the organization of telecommunications shall pass to the Supreme Council of Information and Communication Technology (“ictQATAR”) and also the payment of the annual fee (royalty) prescribed under Article 4 of Law No. 6 of 2002 shall be discontinued from the date another operator licensed under the Law commences telecommunications activities.

The Company’s registered office is located at 100 Westbay Tower, Doha, State of Qatar.

The Company and its subsidiaries (together referred to as the “Group”) provides domestic and international telecommunication services in Qatar and elsewhere in the Asia and MENA region.

The consolidated financial statements of the Group for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 7 March 2010.

2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Qatar Telecom (Qtel) Q.S.C. and its subsidiaries (together referred to as the “Group”). These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. In addition control may exist without having 50% voting power through ownership or agreements, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 (continuedc) BASIS OF CONSOLIDATION

The principal subsidiaries of the Group, incorporated in the consolidated financial statements of Qatar Telecom (Qtel) Q.S.C. are as follows:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Group effective shareholding percentage</i>	
		<i>31 December 2009</i>	<i>31 December 2008</i>
Qtel Investment Holdings S.P.C. (formerly known as Qtel Investment Holdings B.S.C.)	Bahrain	100%	100%
Qtel International Investment L.L.C.	Qatar	100%	100%
Qtel International L.L.C.	Qatar	100%	100%
Qtel Southeast Asia Holding Company S.P.C ("QSEAH") (formerly known as Qatar Southeast Asia Holding Company S.P.C)	Bahrain	100%	100%
Qtel West Bay Holding Company S.P.C	Bahrain	100%	100%
Qatar Telecom (Asia) Pte. Ltd. ("QTA")	Singapore	100%	100%
QTel Al Dafna Holding S.P.C ("QDH")	Bahrain	100%	100%
QTel Al Saad Holding S.P.C ("QSH")	Bahrain	-	100%
QTel Al Khor Holding S.P.C ("QKH")	Bahrain	100%	100%
Qtel Gulf Holdings Limited	Cayman Islands	100%	100%
Qtel Gharafa Holdings Limited	Cayman Islands	100%	100%
wi-tribe Asia Limited ("WiTA")	Cayman Islands	100%	100%
World Trade Glory Ltd	British Virgin Islands	100%	100%
JRAA – JHI Group	Philippines	100%	100%
Qatar Telecom (Qtel Asia) Pte. Ltd. ("QA") (formerly known as Indonesia Communications Pte. Ltd. ("ICLS"))	Singapore	100%	100%
Indonesia Communications Limited ("ICLM")	Republic of Mauritius	100%	100%
Qtel International Finance Limited	Bermuda	100%	-
TDC–Qtel MENA Investcom B.S.C.	Bahrain	79.4%	79.4%
Omani Qatari Telecommunications Company S.A.O.C.	Sultanate of Oman	55.6%	55.6%
Wataniya Mobile Telecommunications Company K.S.C ("Wataniya Telecom")	Kuwait	52.5%	52.5%
Wataniya International FZ – LLC (WTI)	Dubai	52.5%	52.5%
Al- Bahr United Company W.L.L. (Fono)	Kuwait	52.5%	-
Al Wataniya Gulf Télécommunications Holding Company S.P.C ("WIH")	Bahrain	52.5%	52.5%
Wataniya Telecom Maldives Pvt Ltd (WTM)	Republic of Maldives	52.5%	52.5%
Starlink W.L.L.	Qatar	51.0%	51.0%
Wataniya Telecom Algeria S.P.A. (WTA) (i)	Algeria	46.3%	46.3%
WARF Telecom International Private Limited (WARF) (i)	Republic of Maldives	34.1%	34.1%
Public Telecommunication Company Ltd. (PTC) (i)	Saudi Arabia	29.2%	29.2%
Wataniya Palestine Mobile Telecom Limited (i)	Palestine	29.9%	29.9%
Raywood Inc. (Raywood) (ii)	Cayman Islands	61.2%	61.2%
AL-Rowad General Services Limited (AL Rowad) (ii)	Iraq	61.2%	61.2%
Asia Cell for Communications L.L.C. ("ACL, Iraq") (ii)	Iraq	30.0%	30.0%
Wi-tribe Limited ("WiT")	Cayman Islands	77.5%	77.5%
Wi-tribe Limited - Jordan P.S.C.	Jordan	77.5%	77.5%
Wi-tribe Pakistan Limited	Pakistan	77.5%	77.5%
PT. Indosat Tbk	Indonesia	65.0%	40.8%
Indosat Finance Company B.V. ("IFB")	Amsterdam	65.0%	40.8%
Indosat International Finance Company B.V. ("IIFB")	Amsterdam	65.0%	40.8%
Indosat Singapore Pte. Ltd. ("ISP")	Singapore	65.0%	40.8%
PT Indosat Mega Media ("IMM")	Jakarta	64.9%	40.7%
PT Satelindo Multi Media ("SMM")	Jakarta	-	40.6%
PT Starone Mitra Telekomunikasi ("SMT") (iii)	Semarang	47.2%	29.6%
PT Aplikanusa Lintasarta ("Lintasarta") (iii)	Jakarta	47.0%	29.5%
PT Artajasa Pembayaran Elektronik ("APE") (iii)	Jakarta	25.9%	16.2%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF CONSOLIDATION (continued)*Notes:*

- (i) The Group has the power, indirectly through Wataniya Telecom by virtue of Wataniya Telecom having more than 51% of the voting interests in these companies, to govern the financial and operating policies of Wataniya Telecom Algeria S.P.A. (WTA), WARF Telecom International Private Limited (WARF), Public Telecommunication Company Ltd. (PTC) and Wataniya Palestine Mobile Telecom and accordingly, these companies have been considered as subsidiaries of the Group.
- (ii) The Group incorporated Raywood Inc ("Raywood"), a special purpose entity registered in Cayman Islands with 61.2% voting interest to carry out investment activities in Iraq. Raywood established Al Rowad General Services Limited ("AL Rowad") in Iraq as a wholly owned subsidiary to acquire 49% voting interests in Asia Cell for Communications L.L.C. ("ACL, Iraq), a newly incorporated company with license to provide telecommunication services in Iraq. The Group has the power to govern the financial and operating policies of ACL, Iraq by virtue of the shareholders' agreements entered into between Raywood, AL Rowad and ACL, Iraq to appoint a majority (4 out of 7) of Board of Directors through Raywood and, accordingly ACL, Iraq is considered as a subsidiary of the Group.
- (iii) The Group has the power, indirectly through PT Indosat Tbk by virtue of PT Indosat Tbk having more than 51% of the voting interests in these companies, to govern the financial and operating policies of PT Starone Mitra Telekomunikasi ("SMT"), PT Aplikasi Lintasarta ("Lintasarta") and PT Artajasa Pembayaran Elektronik ("APE") and accordingly, these companies have been considered as subsidiaries of the Group.

Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders of the parent. Losses applicable to the non-controlling interests in excess of the non controlling interests are allocated against the interest of the Group except to the extent that the non-controlling interests has a binding obligation and is able to make an additional investment to cover losses. Acquisitions of non-controlling interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill. Upon loss of control, the Group accounts for the investment retained at its proportionate share of net asset value at the date the control was lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1 BASIS OF PREPARATION****Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value of available-for-sale investments and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Qatari Riyals, which is the Company's functional and presentation currency, rounded off to the nearest thousand (QR'000) except where otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group adopted the following new and amended IFRIC Interpretations, effective for annual reporting periods beginning on or after 1 January 2009, during the year.

- IFRS 7 Financial Instruments: Disclosures (Amendments)
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements (Revised)
- IAS 23 Borrowing Costs (Revised)
- IFRIC 13 Customer Loyalty Programmes
- Improvements to IFRSs (May 2008)

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures (Amendments)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 36. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)***IFRS 8 Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group, but has resulted in identification of new reportable segments. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker. Disclosures about each of identified operating segments in accordance with IFRS 8 are shown in Note 40 including the related revised comparative information.

IAS 1 Presentation of Financial Statements (Revised)

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 Borrowing Costs (Revised)

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to capitalise borrowing costs on qualifying assets as they were incurred. As a result, the adoption of this revised standard will not have an impact on the financial position and performance of the Group.

IFRIC 13 Customer Loyalty Programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Company and two of subsidiaries of the Group, maintains a loyalty points programme, called "Nojoom", "Point Plus Plus" and "Point More" respectively. The programme allows customers to accumulate points for every reload and for every payment being made by the prepaid and post-paid subscribers respectively. The points can then be redeemed for free telecommunications and non-telecommunications products operated by third parties. The adoption of this amendment did not have significant impact on the financial position or performance of the Group.

Improvements to IFRSs (May 2008)

In May 2008, the International Accounting Standards Board (IASB) issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The IASB has identified 34 amendments and separated them into two parts. Part I deals with changes the IASB identified resulting in accounting changes; and part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. The Group adopted the amendments resulting from improvements to IFRSs (May 2008). However, it did not have any impact on the accounting policies, financial position or performance of the Group.

The following amendments and interpretations became effective in 2009, but were not relevant for Group's operations:

IFRIC 16	Hedges of an Investment in a Foreign Operation
IFRIC 9 and IAS 39 (Amendment)	Embedded Derivatives
IAS 32 and IAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 2 (Amendment)	Share Based Payments – Vesting Conditions and Cancellations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.3 IASB STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE**

The following standards, amendments and interpretations have been issued but are mandatory for the accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Group:

Standard /interpretation	Content	Effective date
IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
IFRS 3	Business Combinations	1 July 2009
IAS 27	Consolidated and Separate Financial Statements	1 July 2009
IAS 39	Financial Instruments: Recognition and measurement – Eligible Hedged Items	1 July 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRS 9	Financial Instruments Part 1: Classification and Measurement	1 January 2013
Improvements to IFRSs	Issued in April 2009	1 January 2010

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group. The Group did not early adopt any new or amended standards or interpretations in 2009.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Revenue**

Revenue represents the fair value of consideration received or receivable for communication services and equipment sales net of discounts and sales taxes. Revenue from rendering of services and sale of equipment is recognised when it is probable that the economic benefits associated with the transaction shall flow to the Group and the amount of revenue and the associated costs can be measured reliably.

The Group principally obtains revenue from providing the following telecommunication services – access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, connection fees and equipment sales.

The specific revenue recognition criteria applied to significant elements of revenue are set out below:

Revenue from rendering of services:

Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Revenue arising from separable installation and connection services are recognised when it is earned, upon activation. Subscription fee is recognised as revenue as the services are provided.

Interconnection revenue:

Revenues from network interconnection with other domestic and international telecommunications carriers are recognised based on the actual recorded traffic minutes.

Operating revenues for interconnection services under interconnection agreements based on revenue-sharing arrangement are reported net of interconnection charges. Operating revenues for interconnections that are not made under contractual sharing agreements, i.e., based on tariff as stipulated by the Government, are reported on a gross basis. These interconnection charges are accounted for as operating expenses in the year these are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue (continued)***Sales of prepaid cards:*

Sale of prepaid cards is recognised as revenue based on the actual utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship. Revenue is recognised net of any upfront discount given to customers.

Sales of equipment:

Revenue from sales of peripheral and other equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer which is normally when the equipment is delivered and accepted by the customer.

Other income

Other income represents income generated by the Group that arises from activities outside of the provision for communication services and equipment sales. Key components of other income are recognised as follows:

Interest income:

Interest income is recognised on an accrual basis using the effective interest rate method.

Rental income:

Rental income is accounted for on a time proportion basis.

Dividend income:

Dividend income is recognised when the Group's right to receive the dividend is established.

Taxation

Some of the subsidiaries and the joint venture are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax:

Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the financial reporting year.

Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences at the end of the financial reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Taxation (continued)***Deferred income tax (continued)*

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unutilised tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unutilised tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each end of the financial reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each end of the financial reporting year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the financial reporting year.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Land is not depreciated.

The cost of property, plant and equipment is depreciated with effect from the month following the date of first use over the estimated useful lives of the assets as follows;

Buildings	5 – 20 years
Exchange and network assets	5 – 15 years
Subscriber apparatus and other equipment	1 – 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment (continued)**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Business combinations

Business combinations are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

The non-controlling interest is measured at the proportionate share of the acquiree's identifiable net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

A summary of the useful lives and amortisation methods of Group's intangible assets other than goodwill are as follows:

		<i>License costs</i>	<i>Customer contracts and related customer relationships</i>	<i>Brand/Trade names</i>	<i>Concession intangible assets</i>
Useful lives	:	Finite (10 – 50 years)	Finite (2 – 7 years)	Finite (8-25 years)	Finite (15 years)
Amortisation method used	:	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability	Amortised on a straight line basis over the periods of availability
Internally generated or acquired	:	Acquired	Acquired	Acquired	Reclassification

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Service concession arrangements

The Group accounts for service concession arrangements where it is an operator in accordance with IFRIC 12 "Service Concession Arrangements". Infrastructure within the scope of this Interpretation is not recognised as property and equipment of the Group as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the Group. Accordingly, the Group recognises such assets as "concession intangible assets". The Group recognises these intangible assets at cost in accordance with IAS 38. These intangible assets are amortised over the period in which it is expected to be available for use by the Group. The Group recognises contract revenue and costs in accordance with IAS 11, Construction Contracts. The costs of each activity, namely construction, operation and maintenance are recognised as expenses by reference to the stage of completion of the related activity. Contract revenue, if any, i.e. the fair value of the amount due from the grantor for the activity undertaken, is recognised at the same time. The amount due from the grantor meets the definition of a receivable in IAS 39 Financial Instruments: Recognition and Measurement. The receivable is measured initially at fair value. It is subsequently measured at amortised cost. The Group accounts for revenue and costs relating to the services in accordance with IAS 18 as described in the accounting policy for revenue recognition. Borrowing costs attributable to the arrangement are recognised as an expense in the period in which they are incurred, unless the Group has a contractual right to receive an intangible asset (a right to charge user of the public service). If the Group has a contractual right to receive an intangible asset, borrowing costs attributable to the arrangement is capitalised during the construction phase of the arrangement in accordance with IAS 23 – Borrowing costs.

Interest in a joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

The Group determines at each end of the financial reporting year whether there is any objective evidence that the carrying value of joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable value of the joint venture and the carrying value and recognises the amount in the consolidated income statement.

Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investment in associates(continued)**

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss of the Group's investment in its associate. The Group determines at each end of the financial reporting year whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable value of the associates and the carrying value and recognises the amount in the consolidated income statement.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Available-for-sale investments:

Available-for-sale investments are recognised initially at fair value plus directly attributable costs. After initial recognition, available for sale investments are subsequently remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of equity under other comprehensive income until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the year. Interest earned on the investments is reported as interest income using the effective interest rate. Dividends earned on investments are recognised in the consolidated income statement as "Dividend income" when the right to receive dividend has been established. All regular way purchases and sales of investment are recognised on the trade date when the Group becomes or cease to be a party to contractual provisions of the instrument.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the end of the financial reporting year. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. For investment in funds, fair value is determined by reference to net asset values provided by the fund administrators.

Due to the uncertain nature of cash flows arising from the certain of the Group's unquoted equity investments, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less any impairment losses.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to the consolidated income statement. Impairment losses on equity instruments recognised in the consolidated income statement are not subsequently reversed. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement.

When the investment is disposed off, the cumulative gain or loss previously recorded in equity is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include those expenses incurred in bringing each product to its present location and condition. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Accounts receivable**

Accounts receivable represent amounts billed and outstanding at the end of the financial reporting year net of provisions for amounts estimated to be uncollectible. The Group's terms of credit vary in line with individual services provided to customers. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and at hand and short term deposits, with an original maturity of three months or less net of bank overdrafts and deposits used for collateral. Cash and cash equivalents also includes fixed deposits with maturities over three months, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short term cash commitments.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment and uncollectibility of financial assets

An assessment is made at each end of the financial reporting year to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those qualify for capitalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Group, whether billed by the supplier or not.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Employee benefits*End of service benefits:*

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

Pensions and other post employment benefits:

Pension costs under the Group's defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, expected return on plan assets and annual rate of increase in compensation. Actuarial gains or losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the present value of the defined benefit obligation or fair value of plan assets, whichever is greater, at that date. These gains or losses in excess of the 10% corridor are recognised on a straight-line basis over the expected average remaining working lives of the employees. Past service cost is recognised over the estimated average remaining service periods of the employees.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Provisions**

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measured.

Site restoration provision:

The provision for site restoration costs arose on construction of the networking sites. A corresponding asset is recognised in property, plant and equipment. Site restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currencies

The Group's consolidated financial statements are presented in Qatari Riyals (QR), which is also the Parent Company's functional currency (the currency of the primary economic environment in which the Parent Company) operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the end of the financial reporting year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the end of the financial reporting year and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are included as other comprehensive income and are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Derivative financial instruments and hedging**

Derivative financial instruments are contracts, the value of which are dependent one or more underlying variables, require negligible net investments and are settled at a future date.

The Group uses derivative financial instruments such as cross currency swaps, forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair values are negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

The fair value of cross currency swaps and forward currency contracts is calculated by reference to respective instrument current exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is calculated by reference to the market valuation of the swap contracts.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting change in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods of which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income or expense and is taken directly to equity, while any ineffective portion is recognised immediately in the consolidated income statement.

The Group uses interest rate swap contracts to hedge its risk associated primarily with interest rate fluctuations relating to the interest charged on its interest bearing loans and borrowings. These are included in the consolidated statement of financial position at fair value and any resultant gain or loss on interest rate swaps contracts that qualify for hedge accounting is recognised in the consolidated statement of changes in equity and subsequently recognised in the consolidated income statement when the hedged transaction affects profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Derivative financial instruments and hedging (continued)**

The Group uses cross currency swap contracts and forward currency contracts to hedge its risks associated with foreign exchange rate fluctuations. These are included in the consolidated statement of financial position at fair value and any subsequent resultant gain or loss on cross currency swaps and forward currency contracts is recognised in the consolidated income statement.

Embedded derivative is presented with the host contract on the consolidated statement of financial position which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

4 BUSINESS COMBINATIONS**Acquisitions in 2009****4.1 Acquisition of Al-Bahar United Company W.L.L. (trading as “FONO”)**

On 22 January 2009, the Group acquired 100% of the voting shares of Al-Bahar United Company W.L.L., a company domiciled and registered in the State of Kuwait. FONO is engaged in the retail sales of mobile handsets. The acquisition has been accounted for using the purchase method of accounting.

The net assets of FONO acquired amounted to QR 7,552,000 based on the fair values assigned to the acquiree's identifiable assets and liabilities determined by a Purchase Price Allocation carried out by the management. The purchase consideration amounted to QR 21,188,000 with a resultant goodwill of QR 13,636,000. The net cash out flow on acquisition net of cash acquired with the subsidiary of QR 455,000 amounted to QR 20,733,000.

From the date of acquisition, FONO contributed a profit of QR 4,187,000 to the profit of the Group for the year ended 31 December 2009. If the acquisition had taken place at the beginning of the year 2009, the revenue of the Group would have been QR 24,030,491,000 and profit from continuing operations would have been QR 3,880,833,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

4 BUSINESS COMBINATIONS (continued)**Acquisitions in 2009 (continued)****4.2 Acquisition of additional non-controlling interests in PT Indosat Tbk. (continued)**

At 31 December 2008, the Group held 40.81% of the voting shares of Indosat. Indosat and its subsidiaries were considered subsidiaries of the Group as the Group had the power to govern the financial and operating policies of Indosat by virtue of de facto control arising through the ability to appoint a majority (6 out of 10) of the Board of Commissioners of Indosat.

On 5 March 2009, on conclusion of a mandatory tender offer, the Group acquired an additional 24.19% of the voting shares of Indosat, increasing its ownership in Indosat to 65%. Total cash consideration of QR 3,009,888,000 was paid. The carrying value of the net assets immediately prior to the acquisition of additional non-controlling interests of PT Indosat Tbk, was QR 6,485,076,000 and the share of carrying value the additional interest acquired was QR 1,568,740,000. The excess of the cash considerations over the carrying values of net assets acquired amounting to QR 1,441,148,000 has been recognised as goodwill.

Acquisitions in 2008**4.3 Acquisition of PT Indosat Tbk**

On 6 June 2008, the Group acquired 40.8% of the voting shares of PT Indosat Tbk and exercised beneficial ownership. Upon completion of legal formalities in respect of the acquisition, the Group obtained the legal ownership rights on 22 June 2008. PT Indosat Tbk is an Indonesian Shareholding Company listed in the Indonesia Stock Exchange which along with its subsidiaries is engaged in providing telecommunication services such as cellular services, fixed telecommunications, multimedia, data communication and internet services primarily in Indonesia. The acquisition has been accounted for using the purchase method of accounting.

The carrying amounts and the fair values of the identifiable assets and liabilities of PT Indosat Tbk immediately prior to the acquisition were:

	<i>Fair values at the acquisition date QR '000</i>	<i>Carrying amounts immediately prior to acquisition QR '000</i>
Assets		
Property, plant and equipment	13,311,817	13,311,817
License costs	998,934	584,744
Customer relationships	766,191	-
Brand	2,477,101	-
Other intangibles	25,527	25,527
Goodwill	-	782,661
Available-for-sale investments	1,066	1,066
Investment in associates	112	112
Deferred tax asset	37,497	37,497
Other non-current financial assets	567,647	567,647
Inventories	77,974	77,974
Accounts receivable and prepayments	944,098	944,098
Other current assets	54,192	54,192
Cash and cash equivalents	3,715,652	3,715,652
	<u>22,977,808</u>	<u>20,102,987</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

4 BUSINESS COMBINATIONS (continued)

Acquisitions in 2008 (continued)

4.3 Acquisition of PT Indosat Tbk (continued)

	<i>Fair values at the acquisition date QR'000</i>	<i>Carrying amounts immediately prior to acquisition QR'000</i>
Liabilities and minority interests		
Interest bearing loans and borrowings	7,686,224	7,686,224
Employee benefits	239,458	239,458
Other non-current liabilities	630,454	630,454
Deferred tax liability	1,693,845	596,600
Accounts payable and accruals	4,014,414	4,014,414
Other current liabilities	464,426	464,426
Non-controlling interests	4,887,926	3,866,027
	<u>19,616,747</u>	<u>17,497,603</u>
Net assets acquired	3,361,061	<u>2,605,384</u>
Goodwill arising on acquisition	<u>2,834,043</u>	
Cost of business combination, net of adjustment (see below)	<u>6,195,104</u>	
		<i>QR'000</i>
Cost of business combination, net of adjustment is arrived as follows:		
Cash paid for business combination		6,549,840
Less: Group's share of gain on derecognition of investments in PT Indosat Tbk by AMH deducted from the cost of business combination (Note 16(ii))		<u>(354,736)</u>
		<u>6,195,104</u>
Net cash outflow on acquisition:		
Net cash acquired with the subsidiary		3,715,652
Cash paid		<u>(6,549,840)</u>
		<u>(2,834,188)</u>

The gross costs of the investment in PT Indosat Tbk amounting to QR 6,549,840,000 includes directly attributable costs amounting to QR 179,300,000.

From the date of acquisition, Indosat Tbk contributed QR 403,878,000 to the profit of the Group for the year ended 31 December 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

4 BUSINESS COMBINATIONS (continued)

Acquisitions in 2008 (continued)

4.3 Acquisition of PT Indosat Tbk (continued)

During the year ended 31 December 2009, in compliance with the provisions of International Financial Reporting Standards 3 "Business Combinations", the Group has carried out a onetime "Purchase Price Allocation" (PPA) exercise for the value paid for the acquisition of 40.8% of PT Indosat Tbk. PPA identifies the value paid for the tangible assets and the goodwill arising on the acquisition. The derived fair values of intangible assets as a result of acquisition are as follows:

	<i>QR'000</i>
Brand	2,477,101
License costs	414,190
Customer relationships	<u>766,191</u>
	<u>3,657,482</u>

The residual amount of goodwill after allocation of the purchase consideration to identifiable intangible assets in accordance with the PPA exercise amounted to QR 2,834,043,000. This goodwill represents the fair value of expected synergies arising from acquisition.

As a result of PPA exercise carried out for PT Indosat Tbk during the year, the effect of restatement on the prior year financial position and performance of the Group are as follows:

	<i>Increased by QR'000</i>	<i>Decreased by QR'000</i>
<i>Financial position as of 31 December 2008:</i>		
Intangibles	-	1,147,819
Deferred tax liability	865,825	-
Current accounts with State of Qatar	9,745	-
Translation reserve	-	612,626
Retained earnings	29,234	-
Non-controlling interests	-	1,439,997
	<i>Increased by QR'000</i>	<i>Decreased by QR'000</i>
<i>Performance for the year ended 31 December 2008:</i>		
General and administrative expenses	-	27,117
Royalties and fees	9,745	-
Income tax	-	68,395
Profit attributable to non-controlling interests	56,533	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

4 BUSINESS COMBINATIONS (continued)**Acquisitions in 2008 (continued)****4.4 Acquisition of Starlink W.L.L**

On 26 October 2008, the Group acquired 51% of the voting shares of Starlink W.L.L, a company domiciled and registered in the State of Qatar. Starlink W.L.L. is engaged in the distribution of telecommunications equipment and handsets. The acquisition has been accounted for using the purchase method of accounting.

The net assets of Starlink W.L.L. acquired amounted to QR 3,993,000 based on the carrying amounts of assets and liabilities immediately prior to the acquisition. The cost of the business combination amounted to QR 28,040,000 with a resultant goodwill of QR 24,047,000. The net cash out flow on acquisition net of cash acquired with the subsidiary of QR 4,548,000 amounted to QR 23,492,000.

From the date of acquisition, Starlink W.L.L contributed a loss of QR 1,257,000 to the profit of the Group for 2008.

If these business combinations referred in 4.3 and 4.4 had taken place at the beginning of the year 2008, the revenues of the Group would have been QR 23,493,650,000 and profit from continuing operations would have been QR 3,303,223,000.

4.5 Minority interests in National Mobile Telecommunications Company K.S.C (Wataniya Telecom)

On 8 October 2008, the Group acquired an additional stake of 1.5% of the voting rights in National Mobile Telecommunications Company K.S.C (Wataniya Telecom) for a total cash consideration of QR 186,306,000. The carrying value of the net assets immediately prior to the acquisition of Wataniya Telecom was QR 17,671,518,000 and the share of carrying value of the additional interest acquired was QR 264,530,000. The excess of the net carrying value of assets acquired over the consideration (negative goodwill) amounting to QR 78,224,000 was set off against the initially recognised goodwill of Wataniya Telecom (Note 14). During the year, the negative goodwill amounting to QR 78,224,000 was released to the consolidated income statement.

4.6 Minority interests of Wi-Tribe Pakistan Limited

On 10 July 2008, the Group acquired the remaining 25% stake to acquire 100% stake in Wi-Tribe Pakistan Limited, for a total cash consideration of QR 19,391,000. The carrying value of the net assets immediately prior to the acquisition of Wi-Tribe Pakistan Limited was QR 57,724,000 and the share of net assets of the additional interest acquired was QR 14,431,000. The excess of the cash consideration over the net carrying value of assets acquired amounting to QR 4,960,000 has been recognised as goodwill (Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

5 INTEREST IN A JOINT VENTURE

The Group's subsidiary Wataniya Telecom has a 50% equity shareholding with equivalent voting power in Tunisiana, a joint venture established in Tunisia.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of Tunisiana from the date of acquisition:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Share of joint venture's statement of financial position:		
Current assets	447,702	472,874
Non-current assets	1,158,538	1,267,111
Current liabilities	(670,816)	(653,655)
Non-current liabilities	<u>(148,617)</u>	<u>(306,420)</u>
Carrying amount of the net assets	<u>786,807</u>	<u>779,910</u>
	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Share of joint venture's income statement:		
Revenue	1,298,852	1,344,216
Other income	960	3,271
General and administrative expenses	(811,706)	(853,222)
Finance costs	(13,176)	(39,482)
Income tax	<u>(173,597)</u>	<u>(166,967)</u>
Profit for the year	<u>301,333</u>	<u>287,816</u>

6 REVENUE

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Revenue from rendering of services	23,609,284	20,012,527
Sale of telecommunications equipment	331,642	200,914
Revenue from use of assets by others	22,024	26,678
Network construction revenue (Note 15)	<u>62,306</u>	<u>78,808</u>
	<u>24,025,256</u>	<u>20,318,927</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

7 OTHER INCOME

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Interest income	446,635	280,803
Dividend income	28,574	44,648
Rental income from building	17,081	20,942
Gain on change in fair value of derivatives	6,143	22,359
(Loss) Profit on disposal of plant and equipment	(771)	2,939
Miscellaneous income	<u>700,392</u>	<u>171,717</u>
	<u>1,198,054</u>	<u>543,408</u>

During 2003, the Ministry of Communication, Kuwait ("MOC") filed a case against one of the Group's subsidiaries seeking the appointment of an expert to determine the claim of network license fees on its subscriber base, under the Ministry decision No. 168/1997. The case was dismissed by the court of first instance and subsequently, refused by the court of Appeal. MOC has filed a cessation motion against the verdict. During the year, the subsidiary won a ruling in the court of cessation against the Ministry of Communications, Kuwait ("MOC") regarding network license fees. This judgment is not subject to any further appeals and as a result, the subsidiary reversed the previously recorded provisions amounting to QR 655,576,000, net of related expenses and is included under miscellaneous income.

8 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i> <i>(Restated)</i>
Depreciation and amortisation (Note 13 and 14)	5,489,762	3,982,045
Employee salaries and associated costs	2,502,990	2,087,393
Rentals and utilities	1,315,346	851,626
Marketing costs and sponsorship	1,062,249	805,851
Repairs and maintenance	750,350	675,886
Legal and professional fees	273,489	236,844
Allowance for impairment of receivables (Notes 21)	173,532	102,529
Other statutory fees	65,919	52,822
Contribution for social and sports activities (see below)	42,500	-
Provision for obsolete and slow moving inventories (Notes 20)	4,049	9,492
Other expenses	<u>959,715</u>	<u>446,758</u>
	<u>12,639,901</u>	<u>9,251,246</u>

In accordance with Law No. 13 of 2008, the Group has provided for an amount equivalent to 2.5% of the profit from Qatar operations for the year for the support of sports, cultural, social and charitable activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

9 OTHER OPERATING EXPENSES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Outpayments and interconnect charges	3,442,392	3,260,918
Leased circuit rentals	1,007,554	902,711
Commission on cards	691,541	553,668
Cost of equipment sold and other services	667,548	443,642
Network construction costs (Note 15)	62,306	78,808
Other fees to regulators	78,061	188,953
	<u>5,949,402</u>	<u>5,428,700</u>

10 FINANCE COSTS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Interest expenses	1,799,664	1,560,396
Amortisation of deferred financing costs (Note 26)	139,246	34,561
Other finance charges	5,958	1,041
	<u>1,944,868</u>	<u>1,595,998</u>

11 ROYALTIES AND FEES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i> (Restated)
Royalty to the Government of State of Qatar	116,865	768,816
Royalty to the Government of Sultanate of Oman	96,313	66,840
Industry fees	180,057	-
	<u>393,235</u>	<u>835,656</u>

Royalties:

In accordance with Law No. 6 of 2002, effective 1 January 2005, Qtel was liable to pay royalty to the Government of the State of Qatar for the exclusive right to provide telecommunication services in the State of Qatar. The royalty payable was calculated based on 25% of the profits attributable to the shareholders of the parent. In accordance with Law No. 34 of 2006 issued on 6 November 2006, the payment of royalty to the Government of the State of Qatar shall be discontinued from the date another operator licensed under the Law commences telecommunication services in Qatar. The Group has deemed that another operator licensed under the Law commenced commercial operations on 1 March 2009, when the second operator switched on its network for two way communication, broadly consistent with the requirements prescribed by the provisions of license granted to Qtel by ictQATAR and has discontinued payment of royalties from such date. The Group has communicated this change to the Government and ictQATAR and is awaiting final confirmation of acceptance from the concerned authorities.

In accordance with the terms of a license granted to Omani Qatari Telecommunications Company S.A.O.C. to operate wireless telecommunication services in the Sultanate of Oman, royalty is payable to the Government of the Sultanate of Oman, effective from March 2005. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and operating expenses.

Industry fees:

As required by the provisions of license granted to Qtel by ictQATAR, from 1 March 2009, the Group has provided for an Industry fee of 12.5% on profit generated from the Group's operations in Qatar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the parent by the weighted average number of shares outstanding during the year.

There were no potentially dilutive shares outstanding at any time during the year and, therefore, the diluted earnings per share equals the basic earnings per share.

	2009	2008 <i>(Restated)</i>
Profit for the year attributable to shareholders of the parent (QR'000) (Restated)	<u>2,779,909</u>	<u>2,306,446</u>
Weighted average number of shares (in thousands)	<u>146,667</u>	<u>130,445</u>
Basic and diluted earnings per share (QR)	<u>18.95</u>	<u>17.68</u>

The weighted average number of shares has been calculated as follows:

	2009	2008
Qualifying shares at 1 January (000's)	146,667	100,000
Effect of bonus share issue (000's)	-	10,000
Effect of rights issue (000's)	<u>-</u>	<u>20,445</u>
	<u>146,667</u>	<u>130,445</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

13 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings QR '000</i>	<i>Exchange and networks assets QR '000</i>	<i>Subscriber apparatus and other equipment QR '000</i>	<i>Capital work in progress QR '000</i>	<i>Total QR '000</i>
Cost:					
At 1 January 2008	684,719	9,350,761	1,514,912	737,824	12,288,216
Acquisition of subsidiaries	2,645,605	410,327	5,824,162	4,436,314	13,316,408
Additions	-	-	-	5,663,325	5,663,325
Transfers	596,557	2,354,992	1,321,746	(4,273,295)	-
Disposals/reclassifications	(138,658)	(97,552)	(17,047)	(5,401)	(258,658)
Exchange adjustment	(393,075)	(123,977)	(865,099)	(660,747)	(2,042,898)
At 31 December 2008					
(Restated)	3,395,148	11,894,551	7,778,674	5,898,020	28,966,393
Acquisition of subsidiary	-	-	1,935	-	1,935
Additions	7,330	107,247	24,077	8,316,341	8,454,995
Transfers	1,002,490	8,755,046	764,645	(10,522,181)	-
Disposals/ reclassifications	(5,684)	6,465,863	(6,596,141)	(32,625)	(168,587)
Exchange adjustment	417,631	(262,658)	952,940	689,505	1,797,418
At 31 December 2009	<u>4,816,915</u>	<u>26,960,049</u>	<u>2,926,130</u>	<u>4,349,060</u>	<u>39,052,154</u>
Depreciation:					
At 1 January 2008	222,064	2,247,876	807,411	-	3,277,351
Provided during the year	193,255	1,398,745	985,142	-	2,577,142
Relating to					
disposals/reclassifications	(33,817)	(43,637)	(44,964)	-	(122,418)
Exchange adjustment	(13,587)	(37,302)	(66,360)	-	(117,249)
At 31 December 2008					
(Restated)	367,915	3,565,682	1,681,229	-	5,614,826
Provided during the year	353,441	3,024,104	419,531	-	3,797,076
Relating to disposals/ reclassifications	578,832	146,842	(881,821)	-	(156,147)
Exchange adjustment	45,487	(60,507)	213,727	-	198,707
At 31 December 2009	<u>1,345,675</u>	<u>6,676,121</u>	<u>1,432,666</u>	<u>-</u>	<u>9,454,462</u>
Net book value:					
At 31 December 2009	<u>3,471,240</u>	<u>20,283,928</u>	<u>1,493,464</u>	<u>4,349,060</u>	<u>29,597,692</u>
At 31 December 2008	<u>3,027,233</u>	<u>8,328,869</u>	<u>6,097,445</u>	<u>5,898,020</u>	<u>23,351,567</u>

Notes:

- Included in capital work in progress are eligible borrowing costs capitalised during the year amounting to QR 70,320,000 (2008: 44,854,000).
- During the year, the estimated useful life of certain exchange and network assets for one of its subsidiaries were revised from 7 years to 15 years based on management's best estimate and has been accounted for as a change in accounting estimate. This change has resulted in an increase in the profit for the year ended 31 December 2009 by QR 27,444,000. It is not practical to quantify the effects on future periods.
- The property, plant and equipment of the subsidiaries Wataniya Telecom Algeria S.P.A, Wataniya Telecom Maldives Pvt Ltd and the joint venture Tunisiana amounting to QR 3,472,184,000 (2008: QR 3,539,580,000) are under registered mortgage to secure bank loans (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

14 INTANGIBLE ASSETS

Cost:

	License costs QR '000	Goodwill QR '000	Customer contracts and related customer relationship QR '000	Brand/ Trade names QR '000	Concessions intangible assets QR '000	Other intangibles QR '000	Total QR '000
At 1 January 2008	20,139,333	5,954,773	215,399	1,009,918	530,312	-	27,849,735
Acquisition of subsidiaries (Notes 4.3 & 4.4)	998,934	2,858,090	766,191	2,477,101	-	25,527	7,125,843
Acquisition of non-controlling interests (Notes 4.5 & 4.6)	-	(73,264)	-	-	-	-	(73,264)
Additions	1,089,334	3,233	-	-	77,384	655	1,170,606
Exchange adjustment	(96,829)	(560,161)	(113,838)	(368,039)	(754)	(3,792)	(1,143,413)
At 31 December 2008 (restated)	22,130,772	8,182,671	867,752	3,118,980	606,942	22,390	34,929,507
Acquisition of a subsidiary	-	13,636	-	-	-	8,728	22,364
Acquisition of non-controlling interests (Note 4.2)	-	1,441,148	-	-	-	-	1,441,148
Additions	1,024,880	-	-	-	62,334	36,386	1,123,600
Reversal of negative goodwill (Note 4.5)	-	78,224	-	-	-	-	78,224
Reversal of license cost (i)	(393,469)	-	-	-	-	-	(393,469)
Reclassification (ii)	-	123,447	(83,026)	(40,421)	-	-	-
Exchange adjustment	135,153	354,561	108,825	356,434	(32,780)	3,757	925,950
At 31 December 2009	22,897,336	10,193,687	893,551	3,434,993	636,496	71,261	38,127,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

14 INTANGIBLE ASSETS (continued)

	<i>License costs QR '000</i>	<i>Goodwill QR '000</i>	<i>Customer contracts and related customer relationship QR '000</i>	<i>Brand/Trade names QR '000</i>	<i>Concessions intangible assets QR '000</i>	<i>Other intangibles QR '000</i>	<i>Total QR '000</i>
Amortisation and impairment:							
At 1 January 2008	677,724	-	15,828	67,833	78,985	-	840,370
Amortisation during the year	980,427	-	190,923	185,819	40,296	7,438	1,404,903
Impairment during the year	-	5,462	-	-	-	-	5,462
Exchange adjustment	14,149	-	17,892	(22,991)	(812)	(748)	7,490
At 31 December 2008 (restated)	1,672,300	5,462	224,643	230,661	118,469	6,690	2,258,225
Amortisation during the year	1,071,556	-	336,858	187,914	75,939	20,419	1,692,686
Impairment during the year	-	68,861	-	-	-	-	68,861
Exchange adjustment	(56,913)	40	57,960	12,370	(12,244)	2,287	3,500
At 31 December 2009	2,686,943	74,363	619,461	430,945	182,164	29,396	4,023,272
Net book value:							
At 31 December 2009	20,210,393	10,119,324	274,090	3,004,048	454,332	41,865	34,104,052
At 31 December 2008	20,458,472	8,177,209	643,109	2,888,319	488,473	15,700	32,671,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

14 INTANGIBLE ASSETS (continued)

- (i) Reversal of License costs represents the reversal of Wataniya Palestine Mobile Telecom Limited's (WPT) license cost relating to the right to use the frequencies in Gaza, Palestine. In the previous year, the Group recognised license costs relating to the right to use the frequencies in both Gaza and West Bank under intangible assets and the liabilities were recognised under other non-current liability. The license was conditional upon the Ministry of Telecommunications and Information Technology, Palestine fulfilling its obligations to enable WPT to launch commercial operations in West Bank and Gaza. However, WPT was not granted access to launch services in Gaza until further notice. Hence, the Group has derecognised the license cost relating to the right to use the frequencies in Gaza, Palestine (based on the split of assumed subscribers and revenue for West Bank and Gaza) from intangible assets and the corresponding liability from other non-current liability. The unpaid portion in respect of the West bank license amounting to QR 182,736,000 is disclosed as a non-current liability (Note 28).
- (ii) During 2008, ACL Iraq finalised its accounting and the Purchase Price Allocation for the acquisition of Asia Cell, Iraq. The fair values of the trade name and customer relationships were calculated on the basis that ACL Iraq has a full tax exemption for a period of 10 years. Based on the new information that became available in 2009, ACL Iraq is not exempt from tax which has an impact on the recognised fair value of intangible assets. The new fair values are reflected on the financial statements as of 1 January 2009 and the effect of excess amortisation charged in 2008 of QR 17,409,000 is reflected in 2009 as a reduction of accumulated amortisation. As a result, the revised fair values of intangible assets have been incorporated in the current year with an adjustment for the excess amortisation of intangible assets amounting to QR 17,409,000.

15 BUILD-OPERATE-TRANSFER AGREEMENT

On 9 January 2002, a subsidiary, Public Telecommunications Company Ltd. ("PTC") has signed a Build-Operate-Transfer ("BOT") agreement with Saudi Telecom Company ("STC") to offer digital radio network services based on IDEN technology ("the Project") to the public and corporate sectors in the Kingdom of Saudi Arabia ("KSA"). The services offered include call services, data services, control & monitoring services and other optional services. The key features of the BOT agreement are as described below:

- a) The BOT agreement is for a concession period of 15 years from 2005 to 2020 subject to termination as discussed in (f) below and renewal in accordance with the terms of the agreement.
- b) PTC will be responsible for the Project (including the completion of each Project Phase), building and maintaining the network during the term of the BOT agreement. PTC is liable to pay performance penalties to STC in the event of any failure by PTC to comply with specified Network Performance Requirements.
- c) The prices to be charged from users by PTC are subject to regulation by STC.
- d) At the end of the agreement period, PTC shall transfer the network to STC at fair market value based on an independent valuation. The network shall be transferred in a condition that enables it to be used for at least the next 5 years.
- e) PTC shall pay STC revenue fees, site rental payments, equipment commission fees and link licence fees during the term of the BOT agreement. The fees can be revised by STC if the telecommunications market in The Kingdom of Saudi Arabia is deregulated such that STC is obliged to provide services, rights, access or licenses of a comparable type or nature to third parties. In such event the revised payments shall reflect the market rate for services, rights, access or licenses of a comparable type and nature (and in assessing such market rate the amounts previously paid by PTC shall not be taken into account).
- f) The agreement may be terminated by STC if PTC fails to perform its obligations or if PTC is declared bankrupt or insolvent or goes into liquidation (except for the purposes of amalgamation or reconstruction approved in advance by STC). The agreement may be terminated by PTC if STC fails to perform its obligations or if STC is dissolved or goes into liquidation.
- g) The agreement may be modified in writing signed by the duly authorised representatives of STC and PTC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

15 BUILD-OPERATE-TRANSFER AGREEMENT (continued)

The assets under BOT agreement are shown separately as “concession intangible assets” (Notes 14). Each item of the concession intangible asset is amortised over the period from the date of its addition to 2020 (as the BOT agreement expires in 2020). The network construction revenue and network construction costs are included under revenue and other operating costs respectively.

In the opinion of management, PTC does not have any contractual obligations to fulfil as a condition of its licence;

- (i) to maintain the infrastructure to a specified level of serviceability, or
- (ii) to restore the infrastructure to a specified condition before it is handed over to the STC at the end of the BOT arrangement. The future network enhancements will be able to sustain the network on transferring to STC as mentioned in (d) above.

16 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>	
			<i>2009</i>	<i>2008</i>
Navlink, Inc., a Delaware Corporation	<i>Managed Service Provider delivering technology solutions in the enterprise data market</i>	<i>United State of America</i>	38%	38%
Asia Mobile Holding Pte Ltd (“AMH”)	<i>Holding company</i>	<i>Singapore</i>	25%	25%
PT Lintas Media and Danawa	<i>Information and communication services</i>	<i>Indonesia</i>	35%	35%
PT Multi Media Asia Indonesia	<i>Satellite based telecommunication services</i>	<i>Indonesia</i>	27%	27%
PT Swadharma Marga Inforindo	<i>Telecommunication and information services</i>	<i>Indonesia</i>	20%	20%
Liberty Telecoms Holdings Inc. (“LTHI”)	<i>Telecommunication services</i>	<i>Philippines</i>	40%	40%

- (i) On 1 March 2007, the Group acquired a 25% stake in AMH. AMH is the holding company for ST Telemedia’s (“STT”) stake in Star Hub Ltd., Singapore. AMH was also the holding company of PT Indosat Tbk., Indonesia, prior to its sale (see (ii) below).
- (ii) On 6 June 2008, AMH disposed of its stake in PT Indosat Tbk to the Group. The Group’s share of the gain resulting from the derecognition of AMH’s investment in PT Indosat Tbk included in the results of AMH amounting to QR 354,736,000 has been deducted from the acquisition cost of investments in PT Indosat Tbk (Note 4.3).
- (iii) On 8 May 2008, the Group acquired 27% of LTHI, a Philippines shareholding Company which is engaged in providing telecommunication services in Philippines and increased its stake to 40% on 9 December 2008.
- (iv) PT Lintas Media and Danawas, PT Multi Media Asia Indonesia and PT Swadharma Marga Interindo were acquired through PT Indosat Tbk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

16 INVESTMENT IN ASSOCIATES (continued)

The following table is the summarised financial information of the Group's investments in the associates.

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Group's share of associates' statement of financial position:		
Current assets	1,250,749	1,473,074
Non-current assets	1,841,579	1,413,057
Current liabilities	(685,739)	(574,526)
Non-current liabilities	<u>(1,584,532)</u>	<u>(1,592,076)</u>
Net assets	822,057	719,529
Goodwill on acquisition	1,168,915	1,154,363
Less: impairment on investment in associate	<u>(46,337)</u>	<u>-</u>
Carrying amount of the investment	<u>1,944,635</u>	<u>1,873,892</u>
Group's share of associates' revenues and results:		
Revenues	<u>1,159,898</u>	<u>1,049,891</u>
Results	<u>9,358</u>	<u>(50,579)</u>

17 AVAILABLE-FOR-SALE INVESTMENTS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Quoted equity investments	493,253	511,883
Unquoted equity investments	362,416	440,064
Unquoted debt securities	160,264	151,952
Investments in funds	<u>682,825</u>	<u>813,048</u>
	<u>1,698,758</u>	<u>1,916,947</u>

At 31 December 2009, certain unquoted equity investments amounting to QR 269,556,000 (2008 : 414,630,000) are carried at cost less impairment due to non-availability of quoted market prices or other reliable measures of their fair value.

During the year, the Group has recorded an impairment loss of QR 271,578,000 (2008: QR 125,859,000) on certain available-for-sale investments. In the opinion of the management, based on the currently available information, there is no evidence of further impairment in the value of available-for-sale investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

18 OTHER NON-CURRENT ASSETS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i> <i>(Restated)</i>
Prepaid land lease (i)	431,186	338,870
Long term advances (ii)	519,309	304,273
Long term loans (iii)	178,656	132,800
Others (iv)	145,363	144,800
	<u>1,274,514</u>	<u>920,743</u>

- (i) Prepaid land rights represent the amounts paid for the acquisition of the government permits to use the land and is expensed over the period of the right to use the land obtained from the government which ranges from 20 to 30 years.
- (ii) This represents advances to suppliers and contractors for the procurement or construction of property, plant and equipment and advances against investments, which will be reclassified to the respective class of assets upon completion or receipt of these assets purchased.
- (iii) Long term loans represent loans granted to third parties for the purpose of investing in telecommunications outside Qatar, which carries interest at LIBOR plus margins ranging from 2% - 8% and is repayable within a period of five years. The loans are secured against pledge of shares of the invested telecommunication companies.
- (iv) Others includes an amount of QR 57,093,000 (2008: QR 56,531,000) relating to long term portion of prepaid pension costs (Note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

19 INCOME TAX

The income tax represents amounts recognised by subsidiary companies.

The major components of the income tax expense for the years 2009 and 2008 are:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Current income tax:		
Current income tax charge	(546,816)	(317,734)
Adjustments in respect of previous years' income tax	(35,328)	(2,840)
Deferred income tax:		
Relating to origination and reversal of temporary differences	<u>(34,958)</u>	<u>129,790</u>
Income tax included in the consolidated income statement	<u>(617,102)</u>	<u>(190,784)</u>

The Company is not subject to income tax in the State of Qatar. The tax rate applicable to the taxable subsidiary companies and a joint venture company is in the range of 12% to 35% (2008: 12% to 35%). For the purpose of determining the taxable results for the year, the accounting profit of the companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.

The reconciliation between tax expense and the product of accounting profit multiplied by the Group's effective tax rate is as follows:-

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Accounting consolidated profit before tax	4,498,227	3,119,038
The Company and its subsidiaries that are not subject to corporate income tax	<u>(1,813,388)</u>	<u>(1,808,611)</u>
Accounting profit of subsidiaries and associates that are subject to corporate income tax	2,684,839	1,310,427
Add:		
Allowances, accruals and other temporary differences	16,830	56,451
Expenses and income that are not subject to corporate tax	<u>318,398</u>	<u>(98,559)</u>
Deduct:		
Depreciation-net	(364,158)	(82,391)
Unutilised tax losses brought forward	<u>(283,255)</u>	<u>(8,642)</u>
Taxable profit of subsidiaries and associates that are subject to corporate income tax	<u>2,372,654</u>	<u>1,177,286</u>
Current income tax charge at the effective income tax rate of 23% (2008: 27%)	<u>546,816</u>	<u>317,734</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

19 INCOME TAX (continued)

	<i>Consolidated statement of financial position</i>		<i>Consolidated income statement</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
		<i>(Restated)</i>		<i>(Restated)</i>
Accelerated depreciation for tax purposes	(661,253)	(468,407)	(79,110)	59,514
Losses available to offset against future taxable income	299,046	374,372	(75,326)	(876)
Allowances, accruals and other temporary differences	54,156	61,292	(7,136)	2,757
Deferred tax origination on Purchase Price Allocation	(869,434)	(865,825)	126,614	68,395
Deferred tax (expense) income			(34,958)	129,790
Deferred tax liability(net)	(1,177,485)	(898,568)		

Reflected in the consolidated statement of financial position as follows:

	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
		<i>(Restated)</i>
Deferred tax asset	353,202	435,664
Deferred tax liability	(1,530,687)	(1,334,232)
	(1,177,485)	(898,568)

Reconciliation of deferred tax liability (net):

	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
		<i>(Restated)</i>
At 1 January	898,568	(380,602)
Acquisition of subsidiaries (Note 4.3)	-	1,656,348
Tax expense (income) during the year	34,958	(129,790)
Tax relating to translation reserve	(1,410)	788
Exchange adjustment	245,369	(248,176)
At 31 December	1,177,485	898,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

20 INVENTORIES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Subscribers' equipment	191,931	243,900
Other equipment	62,868	32,972
Cables and transmission equipment	<u>23,471</u>	<u>19,405</u>
	278,270	296,277
Less: Provision for obsolete and slow moving inventories	<u>(23,739)</u>	<u>(24,020)</u>
	<u><u>254,531</u></u>	<u><u>272,257</u></u>

Inventories consumed and recognized as expense during the year included in amounted to QR 692,842,000 (2008: QR 388,804,000).

Movement in the provision for obsolete and slow moving inventories was as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
At 1 January	24,020	20,285
Provided during the year (Note 8)	4,049	9,492
Amounts written off	(4,322)	(5,757)
Exchange adjustment	<u>(8)</u>	<u>-</u>
	<u><u>23,739</u></u>	<u><u>24,020</u></u>

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Trade accounts receivable	1,826,938	1,421,566
Other receivables and prepayments	1,868,438	1,808,668
Unbilled subscriber revenue	336,422	318,242
Fair value of derivative contracts (Note 31)	114,312	219,515
Amounts due from international carriers	52,644	93,241
Net prepaid pension costs (Note 27)	<u>945</u>	<u>1,036</u>
	<u><u>4,199,699</u></u>	<u><u>3,862,268</u></u>

At 31 December 2009, trade accounts receivable amounting to QR 654,393,000 (2008: QR 516,324,000) were impaired and fully provided for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

21 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Movement in the allowance for impairment of trade accounts receivable was as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
At 1 January	516,324	260,841
At acquisition of subsidiaries	370	259,806
Charge for the year (Note 8)	173,532	102,529
Amounts written off	(78,415)	(68,253)
Exchange adjustment	42,582	(38,599)
At 31 December	654,393	516,324

At 31 December 2009, the ageing of unimpaired trade accounts receivable is as follows:

	<i>Total</i> <i>QR '000</i>	<i>Neither</i> <i>past due nor</i> <i>impaired</i> <i>QR '000</i>	<i>Past due not impaired</i>			
			<i>< 30days</i> <i>QR '000</i>	<i>30-60</i> <i>days</i> <i>QR '000</i>	<i>60-90</i> <i>days</i> <i>QR '000</i>	<i>> 90</i> <i>days</i> <i>QR '000</i>
2009	1,826,938	507,770	326,821	177,172	116,432	698,743
2008	1,421,566	249,211	188,761	162,081	93,460	728,053

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities are therefore, unsecured.

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following items:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Cash and bank balances	11,511,570	7,845,307
Bank overdrafts (Note 26)	(4,942)	(562)
Restricted deposit	11,506,628 (20,305)	7,844,745 (194,094)
Cash and cash equivalents at 31 December	11,486,323	7,650,651

Notes:

- (i) Bank balances and cash equivalents include fixed deposits maturing after three months amounting to QR 111,438,000 (2008: QR 457,560,000). The management is of the opinion that these fixed deposits are readily convertible to cash and is held to meet short-term commitments.
- (ii) Short term deposits are made for varying periods depending on the immediate cash requirements of the Group and the interest on the respective short term deposit rates range from 0.5% to 14.5% (2008 : 1% to 14%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

23 SHARE CAPITAL

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Authorised		
<i>Ordinary shares of QR 10 each</i>		
At 1 January	2,000,000	1,000,000
Increase in shares	<u>-</u>	<u>1,000,000</u>
At 31 December	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid up		
<i>Ordinary shares of QR 10 each</i>		
At 1 January	1,466,667	1,000,000
Issue of bonus shares	-	100,000
Issue of right shares	<u>-</u>	<u>366,667</u>
At 31 December	<u>1,466,667</u>	<u>1,466,667</u>

The Government of the State of Qatar owns 55% of the share capital.

24 LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit of the Company for the year should be transferred to the legal reserve until such reserves reach 50% of the issued share capital. During the year 2007, the Board of Directors resolved to cap the legal reserve at QR 1,000,000,000 until such time the legal reserve falls below 50% of the issued capital.

During 2008, an amount of QR 5,494,137,000, being the net share premium amount arising out of the rights issue was transferred to legal reserve.

The reserve is not available for distribution except in the circumstances stipulated in the Companies' law and the Company's Articles of Association.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

25 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
<i>Available-for-sale investments:</i>		
Loss arising during the year	(43,299)	(468,109)
Reclassification adjustments for profit included in the income statement	(15,491)	(781)
Transfer to income statement on impairment (Note 17)	<u>271,578</u>	<u>125,859</u>
	<u>212,788</u>	<u>(343,031)</u>
<i>Cash flow hedges :</i>		
Gain (loss) arising during the year	85,232	(734,289)
Ineffective portion of cash flow hedges transferred to income statement	<u>(8,605)</u>	<u>9,115</u>
	<u>76,627</u>	<u>(725,174)</u>
<i>Associates:</i>		
Share of net gain (loss) on cash flow hedges	<u>6,276</u>	<u>(10,092)</u>
<i>Translation reserves:</i>		
Exchange differences on translation of foreign operations	1,635,423	(1,872,310)
Income tax benefits (expense)	<u>1,410</u>	<u>(788)</u>
	<u>1,636,833</u>	<u>(1,873,098)</u>
Other comprehensive income (expense) for the year, net of tax	<u>1,932,524</u>	<u>(2,951,395)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS

The interest bearing loans and borrowings presented in the consolidated statement of financial position consist of the following:

	<i>Maturity</i>	<i>2009 QR'000</i>	<i>2008 QR'000</i>
The Company's loans:			
Loan 1 (i)	Aug 2012	10,924,500	10,924,500
Loan 2 (ii)	Nov 2011	7,270,974	-
Loan 3 (ii)		-	7,283,000
Subsidiaries' loans:			
<i>Qtel International Finance Limited</i>			
Loan 4 (iii)	June 2014	3,277,350	-
Loan 5 (iii)	June 2019	2,184,900	-
<i>Omani Qatari Telecommunications Company S.A.O.C.:</i>			
Loan 6 (iv)	Mar 2012	568,766	557,249
<i>National Mobile Telecommunications Company K.S.C. and its subsidiaries:</i>			
Loan 7 (v)	Mar 2013	1,295,065	1,494,342
Loan 8 (v)	Mar 2012	298,263	461,903
Loan 9 (v)	Nov 2013	65,547	87,709
Loan 10 (v)	Various	197,791	14,466
<i>Wi Tribe Limited:</i>			
Loan 11 (vi)	-	-	1,874
<i>Starlink W.L.L.:</i>			
Loan 12 (vii)	Various	154	287
<i>PT Indosat Tbk and its subsidiaries:</i>			
Loan 13 (viii)	Various	1,007,214	598,608
Loan 14 (ix)	June 2013	1,638,660	1,638,689
Loan 15 (x)	Various	1,200,908	598,608
Loan 16 (xi)	Nov 2019	733,343	483,215
Loan 17 (xii)	Various	479,380	-
Loan 18 (xiii)	May 2013	206,186	206,210
Loan 19 (xiv)	Nov 2012	174,326	166,280
Loan 20 (xv)	Nov 2015	93,531	98,456
Loan 21 (xvi)	May 2011	41,513	69,189
Loan 22 (xvii)	Jan 2011	9,659	16,422
Loan 23 (xviii)	June 2012	9,209	-
Loan 24 (xix)	Various	1,007,214	864,656
Loan 25 (xx)	Nov 2010	854,823	854,839
Loan 26 (xxi)	Various	503,607	-
Loan 27 (xxii)	Various	418,381	359,164
Loan 28 (xxiii)	June 2012	398,413	398,420
Loan 29 (xxiv)	June 2011	315,723	271,036
Loan 30 (xxv)	Oct 2010	247,930	212,838
Loan 31 (xxvi)	April 2013	220,812	189,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

	<i>Maturity</i>	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
<i>PT Indosat Tbk and its subsidiaries (continued):</i>			
Loan 32 (xxvii)	May 2014	154,956	133,024
Loan 33 (xxviii)	June 2011	110,406	94,780
Loan 34 (xxix)	Various	77,478	66,512
Loan 35 (xxx)	Various	77,478	-
Loan 36 (xxxi)	June 2012	9,685	10,359
Loan 37 (xxxii)	June 2012	6,581	8,411
Bank overdrafts (Note 22)		4,942	562
		36,085,668	28,165,167
Less: Deferred financing costs		(402,826)	(189,884)
		35,682,842	27,975,283
	<i>Principal repayment amount QR'000</i>	<i>Deferred financing costs QR'000</i>	<i>2009</i> <i>QR'000</i>
			<i>2008</i> <i>QR'000</i>
Presented in the consolidated statement of financial position as:			
Current portion	1,984,416	(100,007)	1,884,409
Non-current portion	34,101,252	(302,819)	33,798,433
	36,085,668	(402,826)	35,682,842
			27,975,283

The deferred financing costs consist of arrangement and commitment fees. Movement in deferred financing costs was as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
At 1 January	189,884	110,053
Additions during the year	398,839	114,392
Amortised during the year (Note 10)	(139,246)	(34,561)
Capitalised into capital work in progress	(62,016)	-
Exchange adjustment	15,365	-
At 31 December	402,826	189,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Notes:

The Company's loans

- i) Loan 1 (unsecured) was initially launched at US\$ 2,500,000,000 (QR 9,103,750,000) and the Group has fully drawn down the loan on 6 September 2007. The facility was used to refinance the Group's existing US\$ 2,500,000,000 (QR 9,103,750,000) bridge loan signed on 9 March 2007. On 1 November 2007, the facility was eventually increased by US\$ 500,000,000 (QR 1,820,750,000) to US\$ 3,000,000,000 (QR 10,924,500,000). The purpose of the loan for general corporate purposes.
- ii) Loan 2 (unsecured) represents a forward start facility agreement that the Company has entered into on 26 February 2009, amounting to QR 5,830,000,000 denominated in US Dollars and Euro, which will mature on 27 November 2011. The facility was increased to QR 7,280,000,000 consisting of US\$ 1,786,120,000 and Euro 146,493,000. The facility carries interest at LIBOR and EURIBOR plus applicable margins and was fully drawn down on 25 November 2009.

Loan 3 was fully paid by the Company on 25 November 2009.

Subsidiaries' loans

- iii) On 27 May 2009, the Group established a US\$ 5,000,000,000 (QR 18,207,500,000) Global Medium Term Note Programme ("Notes") and officially listed in London Stock Exchange, which is unconditionally and irrevocably guaranteed by the Company. The Notes can be issued in any number of series, but the maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme should not exceed US\$ 5,000,000,000 (QR 18,207,500,000). Subsequent to listing, the Group issued two series of Notes and received the proceeds of the Notes on 10 June 2009. These Notes have a total face value of US\$ 1,500,000,000 (QR 5,462,250,000) and carry interest at fixed rates. The two series are:

Loan 4 (Notes): First series Notes amounting to QR 3,277,350,000 (US\$ 900,000,000) which bear interest at fixed coupon rate of 6.5% per annum starting from 10 June 2009. These Notes will mature on 10 June 2014.

Loan 5 (Notes): Second series Notes amounting to QR 2,184,900,000 (US\$ 600,000,000) which bears interest at fixed coupon rate of 7.875% per annum starting from 10 June 2009. These Notes will mature on 10 June 2019.

Based on the Programme indenture, the Company should be owned directly or indirectly at least 50.1% by the Government of State of Qatar.

- iv) Loan 6 relates to a syndicated loan facility agreement with a consortium of banks for a term loan originally at US\$ 270,000,000 (QR 983,205,000) to finance the activities of Omani Qatari Telecommunications Company S.A.O.C. (Nawras). In 2007, the subsidiary renegotiated the terms of the existing borrowings and availed of additional facilities amounting to US\$ 91,000,000 (QR 331,376,500). In December 2009, an amount of US\$ 30,000,000 (QR 109,245,000) was drawn down from this additional facility.

The facilities are secured by a charge on the Company's Dollar proceeds account and the insurance proceeds of property, plant and equipment and corporate guarantee of shareholders of Nawras. The loan agreement also contain certain restrictive covenants.

The subsidiary has entered into interest rate swaps to hedge its risks associated with interest rate fluctuations, the details of which are set out in Note 31. The loan is repayable in nine semi-annual instalments commencing from 12 March 2008.

The subsidiary has received a market disruption clause notice from some of its lenders which request that finance cost on the commercial loan facility be based on LIBOR plus an additional margin from March 2009. The average annual additional interest paid in relation to this during the year amounted to 1.61%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)**

- v) Loan 7 to Loan 10 represents the loans relating to National Mobile Telecommunication Company K.S.C. and its subsidiaries and the repayment terms of these loans are as follows:

<i>Description of loan</i>	<i>Repayment term</i>
Loan 7	: Over a period of 5 years in instalments starting from March 2008
Loan 8	: Over a period of 4 years in instalments starting from March 2008
Loan 9	: Over a period of 5 years in instalments starting from November 2008
Loan 10	: Over a period of 5 years in instalments starting from January 2011 and includes short term debt facilities that was rolled over during the current financial year.

Loans 7 - 10 are secured by pledges on the respective subsidiaries and joint venture's assets and their shares. Based on the loan agreement, the subsidiary is required to comply with certain covenants such as maintaining certain financial ratios.

- vi) Loans 11 relates to Wi Tribe Limited, Pakistan. First instalment was due in November 2006. This loan is secured against all present and future current and fixed assets of the subsidiary wherever situated but not limited to local foreign and imported telecommunication equipment, LDI equipment, LDI and WLL License, peripherals, gadgets computers and other ancillary equipment. As of 31 December 2009, this loan was paid in full by the subsidiary.

Loans 1 to 11 bear interest at respective reference rates (LIBOR, EURIBOR, KIBOR, JIBOR Algerian repo rates) plus applicable margins ranging from 0.35% to 8.5%.

- vii) Loan 12 relates to the Starlink W.L.L. This represents vehicle loans which are secured against the hypothecation of the vehicles.
- viii) Loan 13 represents two unsecured five year credit facilities denominated in Indonesian Rupiah (Rp) for the purchase of telecommunication equipment.

The first facility amounting to Rp 2,000,000 million (QR 774,780,000) bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year) and (ii) floating rates for the remaining years based on the prevailing annual rate of average 3-month JIBOR plus 1.5% per annum. The interest is payable quarterly. The repayment of the loan draw downs will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1st and 2nd years after the first drawdown, (b) 15% each of the total loan draw downs in the 3rd and 4th years after the first drawdown, and (c) 50% of the total loan draw downs in the 5th year after the first drawdown.

On 27 September and 27 December 2007, the subsidiary made the first and second loan drawdowns totalling Rp 2,000,000 million (QR 774,780,000) representing the full amount of the facility.

Voluntary prepayment (whole or any part of the loan) is permitted without penalty if the prepayment is made after the 24th month from the date of the agreement subject to 7 days' prior written notice. Prepayment prior to the 24th month after the agreement date is allowed with penalty of 2% of the prepaid amount.

Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.

The second facility amounting to Rp 1,000,000 million (QR 387,390,000) bears interest at 3-month JIBOR plus 2.25% per annum. The repayment of the loan drawdowns will be made annually, as follows: (a) 20% of the total loan drawdowns in the first year, (b) 30% of the total loan drawdowns in the second year, and (c) 50% of the total loan drawdowns in the third year.

On March 16, 2009, the subsidiary made the drawdown of the full amount of the facility. Voluntary early repayment (whole or any part of the loan) is permitted with penalty of 1% of the prepaid amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

- ix) Loan 14 represents a syndicated US Dollar loan facility dated 12 June 2008 amounting to US\$ 450,000,000 (QR 1,638,675,000). The purpose of the loan is finance the subsidiaries capital expenditure, purchase a portion of its Guaranteed notes due on 2010 and 2012 and for general working capital requirements. The repayment of the loan drawdowns will be made semi-annually, as follows: (a) 25% of the total loan drawdowns in 3rd year after the signing date of the agreement (first repayment date), (b) 24% of the total loan drawdowns in 6th month after the first repayment date, (c) 8% each of the total loan drawdowns in 12th and 18th months after the first repayment date, and (d) 35% of the total loan drawdowns in 24th month after the first repayment date. The loan bears interest at floating rates based on US Dollar LIBOR plus margin (1.9% per annum for onshore lenders and 1.85% per annum for offshore lenders), which is payable semi-annually.

- x) Loan 15 represents unsecured five year and three year credit facilities denominated in Indonesian Rupiah (Rp) for the repayment of existing loan facility and the purchase of telecommunication equipment.

The loan bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year) and (ii) floating rates for the remaining years based on the prevailing annual rate of 3-month JIBOR plus 1.5% to 4% per annum. The interest is payable quarterly. The repayment of the loan draw downs will be made annually, as follows: (a) 10% and 20% each of the total loan draw downs in the 1st year and 10% and 30% on the 2nd year after the first drawdown, (b) 15% and 50% each of the total loan drawdowns in the 3rd year and 15% on the 4th year after the first drawdown, and (c) 50% of the total loan drawdowns in the 5th year after the first drawdown.

On 27 September 2007, 26 October 2007, 27 December 2007, 16 March 2009 and 25 June 2009, the subsidiary made drawdowns on the respective loans totaling Rp 3,500,000 million (QR1,355,865,000).

Voluntary prepayment (whole or any part of the loan) is permitted without penalty if the prepayment is made after the 24th month from the date of the agreement subject to 7 days' prior written notice. Prepayment prior to the 24th month after the agreement is allowed with penalty of 1% and 2% of the prepaid amount.

On 27 September 2008 and 25 September 2009, the subsidiary paid the first and second annual installments amounting to Rp 400,000 million (QR 154,956,000).

Based on the loan agreement the subsidiary is required to maintain certain covenants, such as maintaining certain financial ratios.

- xi) Loan 16 represents a 12 year COFACE term facility agreement ("COFACE Facility") amounting to US\$ 157,243,000 (QR 572,600,385) to finance the payment of 85% of the French Content under the Palapa D Satellite Contract plus 100% of the COFACE Premium. The loan bears interest at the fixed annual rate of 5.69% which is payable semi annually. The total loan outstanding after the availability period shall be repaid in twenty semi-annual instalments. The semi-annual repayment of the principal will start six months after the earlier of (a) date of successful completion of the Satellite In-Orbit Acceptance Review under the Palapa D Satellite Contract and (b) 29 September 2009.

In addition, loan 16 represents a 12 year SINOSURE term facility agreement ("SINOSURE Facility") amounting to US\$ 44,200,000 (QR 160,954,300) to be used to finance the payment of 85% of the Launch Service Contract. The loan bears interest at floating rates based on the U.S. Dollar LIBOR Plus 0.35% per annum. The total loan outstanding after the availability period shall be repaid in twenty semi-annual installments. The semi-annual repayment of the principal will start six months after the earlier of (a) date of successful completion of the Satellite In-Orbit Acceptance Review under the Palapa D Satellite Contract and (b) 29 September 2009.

As of 31 December 2009, the subsidiary has already drawn from these credit facilities for an amount of US\$ 201,385,000 (QR 733,343,478). Based on the credit facility agreements the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

- xii) Loan 17 represents a credit facilities consists of facilities A, B and C with maximum amounts of US\$ 100,000,000 (QR 364,150,000), US\$ 155,000,000 (QR 564,432,500) and US\$ 60,000,000 (QR 218,490,000) respectively, for the purchase of telecommunication equipment. The loans from the facilities bear interest at certain rates per annum as determined in the agreement and the related interest is payable semi-annually until the respective maturity dates. The repayment of each of facilities A, B and C shall be made in fourteen installments starting on 31 May 2009, 28 February 2010 and 30 November 2010, respectively.

On 23 November 2009, the subsidiary paid the first semi- annual installment for facility A amounting to US\$ 7,142,860 (QR 26,010,725).

As of 31 December 2009, the subsidiary has already drawdown US\$ 100,000,000 (QR 364,150,000) and US\$ 38,787,500 (QR 141,244,681) from facilities A and B, respectively.

Based on the loan agreement, the subsidiary is required to comply with certain covenants, such as maintaining certain financial ratios.

- xiii) Loan 18 denominated in Rp and received in US \$ amounting to US\$ 50,000,000 (QR 182,075,000) was obtained to finance the purchase of telecommunications equipment. The loan will mature on 30 May 2013. The loan bears interest at the fixed annual rate of 8.75% applied on the Rp 434,300 million (QR 168,243,477), which is payable quarterly every 28 February, 30 May, 30 August and 30 November commencing on 30 August 2007 up to 30 May 2012.

The loan agreement provides an option to the lender to convert the loan payable into a U.S. Dollar loan of US\$ 50,000,000 (QR 182,075,000) on 30 May 2012 ("FX Conversion Option"). The fair value of the FX Conversion Option as of 31 December 2008 and 2009 amounted to US\$ 16,965,120 (QR 61,778,484) and US\$ 11,038,100 (QR 40,195,241). If the lender takes such option, starting 30 May 2012, the loan will bear interest at the fixed annual rate of 6.45% applied on the US\$ 50,000,000 principal and both U.S. Dollar principal and interest thereon will be due on 30 May 2013.

Based on the loan agreement, the subsidiary is required to notify the lender regarding the following events which can result in loan termination, such as:

- (i) certain changes affecting withholding taxes in the United Kingdom or Indonesia;
- (ii) default under Guaranteed Notes due 2012;
- (iii) default under the subsidiary US\$ Notes and IDR Bonds;
- (iv) redemption, purchase or cancellation of the Guaranteed Notes due 2012 and there are no US\$ Indosat Notes outstanding upon such redemption, purchase or cancellation; and
- (v) change of control in the subsidiary.

On 24 June 2008, the subsidiary received a waiver letter from the lender affirming that it will not terminate the loan due to the change of control of the subsidiary.

- xiv) Loan 19 represents a five-year unsecured credit facility for capital expenditure and general corporate purposes with a maximum amount of Rp 500,000 million (QR 193,695,000). The loan bears interest at (i) fixed annual rates for the first two years (9.7% in the first year and 10.4% in the second year) and (ii) floating rates for the remaining years based on prevailing annual interest rate of 3-month Certificates of Bank Indonesia plus 1.5% per annum. The interest is payable quarterly. The repayment of the loan draw downs will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1st and 2nd years after the first drawdown, (b) 15% each of the total loan drawdowns in the 3rd and 4th years after the first drawdown, and (c) 50% of the total loan drawdowns in the 5th year after the signing date of the agreement. The loan was fully drawn down by the subsidiary on 31 January 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 19 (continued)

Voluntary early repayment is permitted on each interest payment date without penalty if the repayment is made after the 24th month from the date of the first drawdown subject to 15 days' prior written notice. Repayment prior to the 24th month after the agreement date is allowed with penalty of 1% of the prepaid amount.

On 30 January 2009, the subsidiary paid the first annual installment amounting to Rp 50,000 million (QR 19,369,500).

Based on the credit facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

- xv) Loan 20 represents a 9 year unsecured commercial facility amounting to US\$ 27,037,000 (QR 98,455,236). The purpose of the loan is to finance the construction and launch of the satellite and the payment of the SINOSURE Premium in connection with the SINOSURE Facility (Loan 16). The loan bears interest at floating rates based on U.S. Dollar LIBOR plus 1.45% per annum, which is payable semi-annually.

The repayment of the loan shall be repaid in fifteen semi- annual installments after 24 months from the date of the loan agreement. For the first five installments, the subsidiary will repay US\$ 1,351,850 (QR 4,922,762) each and US\$ 2,027,780 (QR 7,384,161) for the remaining installments thereafter.

On 1 April 2008, the subsidiary received the full drawdown from its 9-year Commercial Facility.

On 27 November 2009, the subsidiary paid the first annual installment amounting to US\$ 1,351,850 (QR 4,922,762).

Based on the facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

- xvi) Loan 21 represents a credit facility amounting to USD 38,000,000 (QR 138,377,000) for purchase of telecommunication equipment. The loan bears interest at the fixed annual rate of 4.15%. The loan , together with the related interest, is payable semi-annually until 12 May 2011

Voluntary early repayment is permitted only after 60 days from the date of the loan agreement subject to 15 days' prior written notice. The subsidiary may repay the whole or any part of the loan before the due dates [in the minimum amount of US\$ 10,000,000 (QR 36,415,000) divisible by US\$ 1,000,000 (QR 3,641,500)].

Based on the facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

- xvii) Loan 22 represents two investment credit facilities amounting to Rp 50,000 million (QR 19,369,500) and Rp 45,000 million (QR 17,432,550) for purchase of telecommunication equipment, computers and other supporting facilities. The first facility bears interest at the prevailing annual rate of 1-month Certificate of Bank Indonesia plus 2.25% per annum fully repayable in quarterly installments by January 2011. These facilities are collateralised by all equipment purchased from the proceeds of the credit facilities.

The second facility bore interest at the prevailing annual rate of 3-month Certificates of Bank Indonesia plus 3% per annum was fully paid on February 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

xviii) Loan 23 represents an investment credit facility amounting to Rp 75,000 million (QR 29,055,000) for the purchase of telecommunications equipment, computers and other supporting facilities. The facility bears interest at the fixed annual rate of plus 14.5%. The quarterly repayment of the principal amount of Rp 7,500 million (QR 2,905,425) will start on 24 March 2010 up to 24 June 2012. As of 31 December 2009 an amount of Rp 23,772 million (QR 9,209,035) was already drawn down from this facility. The facility is collateralized by all equipment purchased from the proceeds of the credit facility.

xix) Loan 24 represents Fifth Indosat Bonds issued in the year 2007 with fixed rates. . The bonds have a total face value of Rp 2,600,000 million (QR 1,007,214,000). The bonds consist of two series

- Series A bonds amounting to Rp 1,230,000 million (QR 476,489,700) which bear interest at the fixed rate of 10.20% per annum starting 29 May 2007. These bonds will mature on 29 May 2014.
- Series B bonds amounting to Rp 1,370,000 million (QR 530,724,300) which bear interest at the fixed rate of 10.65% per annum starting 29 May 2007. These bonds will mature on 29 May 2017.

The bonds will mature before the maturity dates, if after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

The payment agent shall pay interest on the bonds as follows:

- Series A : Starting 29 August 2007 and every quarter thereafter up to 29 May 2014.
- Series B : Starting 29 August 2007 and every quarter thereafter up to 29 May 2017.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for capital expenditure.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xx) Loan 25 represents Guaranteed Notes Due 2010 with a fixed rate and a total face value of US\$ 300,000,000 (QR 1,092,450,000) issued through IFB. The notes bear interest at the fixed rate of 7.75% per annum payable in semi-annual installments. The notes will mature on 5 November 2010. The bonds service interest semiannually on 5 May and 5 November of each year, commencing on 5 May 2004.

The notes are redeemable at the option of IFB, in whole or in part at any time on or after 5 November, 2008. The notes are redeemable at prices equal to 103.8750%, 101.9375% and 100.0000% of the principal amount during the 12-month period commencing on 5 November 2008, 2009 and 2010, respectively. In addition, prior to 5 November 2006, IFB may redeem up to a maximum of 35% of the original aggregate principal amount, with the proceeds of one or more public equity offerings of the subsidiary, at a price equal to 107.75% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at the option of IFB, in whole but not in part, at any time, at a price equal to 103.5625% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts to the date of redemption, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands that would require IFB or the subsidiary to pay an additional amount in respect of any note in excess of certain amounts. Upon a change in control of IFB (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of IFB's assets), the holder of the notes has the right to require IFB to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 25 (continued)*

The net proceeds, after deducting the underwriting fee and offering expenses, were received on 5 November 2003 and used primarily to repay a portion of Indosat's (including Satelindo's and IM3's) outstanding indebtedness amounting to Rp 1,500,000 million (QR 581,085,000) and US\$ 447,500,000 (QR 1,629,571,250).

Based on the facility agreement, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios. The notes are unconditionally and irrevocably guaranteed by the subsidiary.

On 22 July 2008, IFB announced the Change of Control Offer to all holders of the notes. This offer was to purchase the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest up to the date of settlement and any additional amounts. Such offer expired on 17 September 2008. The bondholders expressed their rights that required IFB to repurchase all or any part of such holders' notes.

On 19 September 2008, IFB paid a total of US\$ 67,805,000 (QR 246,911,908) for the purchased portion of the notes with a total principal amount of US\$ 65,253,000 (QR 237,618,800) at a price equal to 101% of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

xxi) Loan 26 represents Seventh Indosat Bonds issued in the year 2009 with fixed rates. The bonds have a total face value of Rp 1,300,000 million (QR 503,607,000). The bonds consist of two series:

- Series A bonds amounting to Rp 700,000 million (QR 271,173,000) which bear interest at the fixed rate of 11.25% per annum starting 8 December 2009. These bonds will mature on 8 December 2014.
- Series B bonds amounting to Rp 600,000 million (QR 232,434,000) which bear interest at the fixed rate of 11.75% per annum starting 8 December 2009. These bonds will mature on 8 December 2016.

The bonds will mature before the maturity dates, if after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

The payment agent, shall pay interest on the bonds as follows:

- Series A : Starting 8 March 2010 and every quarter thereafter up to 8 December 2014.
- Series B : Starting 8 March 2010 and every quarter thereafter up to 8 December 2016.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for the purchase of Base Station Subsystem to expand the subsidiary's cellular network.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxii) Loan 27 represents Sixth Indosat Bonds in Year 2008 with fixed rates ("Sixth Indosat Bonds"), with BRI as the trustee. The bonds have a total face value of Rp 1,080,000 million (QR 418,381,200). The bonds consist of two series:

- Series A bonds amounting to Rp 760,000 million (QR 294,416,400) which bear interest at the fixed rate of 10.25% per annum starting 9 April 2008. These bonds will mature on 9 April 2013.
- Series B bonds amounting to Rp 320,000 million (QR 123,964,800) which bear interest at the fixed rate of 10.80% per annum starting 9 April 2008. These bonds will mature on 9 April 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans (continued)***Loan 27 (continued)*

The bonds will mature before the maturity dates if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

The payment agent shall pay interest on the bonds, as follows:

- Series A : Starting 9 July 2008 and every quarter thereafter up to 9 April 2013.
- Series B : Starting 9 July 2008 and every quarter thereafter up to 9 April 2015.

The subsidiary received the proceeds of the bonds on 9 April 2008.

The net proceeds, after deducting the underwriting fee and offering expenses, were used for capital expenditure purposes.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios. The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

- xxiii) Loan 28 represents Guaranteed Notes Due 2012 with a fixed rate and face value of US \$ 250,000,000 (QR 910,375,000) issued through IIFB. The notes were issued at 99.323% of their principal amount. The notes bear interest at the fixed rate 7.125% per annum; interest servicing is in semiannual equal installments due on 22 June and 22 December of each year, commencing 22 December 2005. The notes will mature on 22 June 2012.

The notes will be redeemable at the option of IIFB, in whole or in part at any time on or after 22 June 2010 at prices equal to 103.5625%, 101.7813% and 100.0000% of the principal amount during the 12-month period commencing 22 June 2010, 2011 and 2012, respectively, plus accrued and unpaid interest and additional amounts, if any. In addition, prior to 22 June 2008, IIFB may redeem up to a maximum of 35% of the original aggregate principal amount, with the proceeds of one or more public equity offerings of the subsidiary, at a price equal to 107.125% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at the option of IIFB, in whole but not in part, at any time, at a price equal to 103.5625% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts to the date of redemption, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands that would require IIFB or the subsidiary to pay an additional amount in respect of any note in excess of certain amounts. Upon a change in control of IIFB (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of IIFB's assets), the holder of the notes has the right to require IIFB to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fee and offering expenses, were received on 23 June 2005 and used for general corporate purposes, including capital expenditures.

Based on the notes indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios. The notes are unconditionally and irrevocably guaranteed by the subsidiary.

On 22 July 2008, IIFB announced the Change of Control Offer to all holders of the notes. This offer was to purchase the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest up to the date of settlement and any additional amounts. Such offer expired on 17 September 2008. The bondholders exercised their rights that required IIFB to repurchase all or any part of such holders' notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)**Subsidiary loans***Loan 28 (continued)*

On 19 September 2008, IIFB paid a total of US\$ 144,441 (QR 525,982) for the purchased portion of the notes with a total principal amount of US\$ 140,590 (QR 511,958) at a price equal to 101% of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

- xxiv) Loan 29 represents Fourth Indosat Bonds in Year 2005 with fixed rates issued ("Fourth Indosat Bonds"), with BRI as the trustee. The bonds have a total face value of Rp 815,000 million (QR 315,722,850). The bonds bear interest at the fixed rate of 12% per annum, payable on a quarterly basis. The bonds will mature on 21 June 2011:

The bonds will mature before maturity date if the subsidiary exercises the following options:

- Early Settlement option : The subsidiary has the right to make early payment for all the bonds on the 4th anniversary of the bonds at 100% of the bonds' nominal value.
- Buy-back option : after the 1st anniversary of the bonds, the subsidiary has the right to buy back part or all of the bonds at market price.

The proceeds of the bonds were used for capital expenditure purposes.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios. The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

- xxv) Loan 30 represents Third Indosat Bonds in Year 2003 with fixed rates issued ("Third Indosat Bonds"), with BRI as the trustee. The bonds have a total face value of Rp 2,500,000 million (QR 968,475,000). The bonds consist of two series:

- Series A bonds amounting to Rp 1,860,000 million (QR 720,545,400) which bear interest at the fixed rate of 12.5% per annum for 5 years starting 22 October 2003.
- Series B bonds amounting to Rp 640,000 million (QR 247,929,600) which bear interest at the fixed rate of 12.875% per annum for 7 years starting 22 October 2003.

The bonds will mature if the subsidiary exercises the following options:

- Early Settlement Option : the subsidiary has the right to make early payment for all the Series A bonds on the 4th anniversary of the bonds at 100% of the bonds' nominal value. The subsidiary has also the right to make early payment for all the Series B bonds on the 4th and 6th anniversaries of the bonds at 100% of the bonds' nominal value.
- Buy-back Option : after the 1st anniversary of the bonds, the subsidiary has the right to buy back part or all of the bonds at market price temporarily or as an early settlement.

The payment agent, pays interest on the bonds, as follows:

Series A	: Starting 22 January 2004 and every quarter thereafter up to 22 October 2008.
Series B	: Starting 22 January 2004 and every quarter thereafter up to 22 October 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

Loan 30 (continued)

The proceeds of the bonds were used as capital injection to Satelindo which, in turn, used the proceeds to repay its debts and Guaranteed Floating Rate Bonds.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

On 21 October 2008, the subsidiary paid in full the series A bond amounting to Rp 1,860,000 million (QR 720,545,400).

The bonds are neither collateralized by any specific subsidiary assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

- xxvi) Loan 31 represents Sukuk Ijarah III issued in the Year 2008 this was issued with BRI as the trustee. The bonds have a total face value of Rp 570,000 million (QR 220,812,300). The bonds will mature on 9 April 2013. The bonds will mature before maturity date if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price.

Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 58,425 million (QR 22,633,261) payable on a quarterly basis starting 9 July 2008 up to 9 April 2013. The proceeds of the bonds were used for capital expenditure purposes.

The subsidiary received the proceeds of the bonds on 9 April 2008.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

- xxvii) Loan 32 represents Indosat's Sukuk Ijarah II issued in the Year 2007 with BRI as the trustee. The bonds have a total face value of Rp 400,000 million (QR 154,956,000). The bonds will mature on 29 May 2014. The bonds will mature before maturity date if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price.

Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") amounting to Rp 40,800 million (QR 15,805,512) payable on a quarterly basis starting 29 August 2007 up to 29 May 2014. The proceeds of the bonds were used for capital expenditure purposes.

The subsidiary received the proceeds of the bonds on 31 May 2007.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

xxviii) Loan 33 represents Indosat's Syari'ah Ijarah Bonds issued in the Year 2005. The bonds have a total face value of Rp 285,000 million (QR 110,406,150) and will mature on 21 June 2011. Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 34,200 million (QR 13,248,738) payable on a quarterly basis starting 21 September 2005 up to 21 June 2011.

The bonds will mature before maturity date if the subsidiary exercises the following options:

- Early Settlement Option: the subsidiary has the right to make early payment for all the bonds on the 4th anniversary of the bonds at 100% of the bonds' nominal value.
- Buy-back Option : after the 1st anniversary of the bonds, the subsidiary has the right to buy back part or all of the bonds at market price.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The proceeds of the bonds were used for capital expenditure purposes. The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxix) Loan 34 represents Second Indosat Bonds issued in the Year 2002 with fixed and floating rates with BRI as the trustee. The bonds were issued in three series. The series A and series C bonds matured on November 6, 2007.

- Series B bonds amounting to Rp 200,000 million (QR 77,478,000) which bear interest at the fixed rate of 16% per annum for 30 years starting 6 February 2003. The bonds mature if the subsidiary or the bondholder exercises the following options:
 - Buy Option : the subsidiary has the right to make early payment for all the Series B bonds on the 5th, 10th, 15th, 20th and 25th anniversaries of the bonds at 101% of the bonds' nominal value.
 - Sell Option : the bondholder has the right to ask for early settlement from the subsidiary at 100% of the bonds' nominal value: 1) at any time, if the rating of the bonds decreases to AA- or lower (Special Sell Option) or 2) on the 15th, 20th and 25th anniversaries of the bonds (Regular Sell Option).

The payment agent pays interest on the series B bonds starting 6 February 2003 and every quarter thereafter up to 6 November 2032.

The proceeds of the bonds were used to repay other loans.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

xxx) Loan 35 represents Indosat's Sukuk Ijarah IV issued in Year 2009 with BRI as the trustee. The bonds have a total face value of Rp 200,000 million (QR 77,478,000). The bonds were issued in two series:

- Series A bonds amounting to Rp 28,000 million (QR 10,846,920) with annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 3,150 million (QR 1,220,279) payable on a quarterly basis starting 8 March 2010 up to 8 December 2014.
- Series B bonds amounting to Rp 172,000 million (QR 66,631,080) with annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp 20,210 million (QR 7,829,152) payable on a quarterly basis starting 8 March 2010 up to 8 December 2016.

The bonds will mature before maturity date if, after the 1st anniversary of the bonds, the subsidiary exercises its option to buy back part or all of the bonds at market price.

The subsidiary received the proceeds of the bonds on 8 December 2009. The net proceeds, after deducting the underwriting fee and offering expenses, were used for the purchase of Base Station Subsystem to expand the subsidiary's cellular network.

Based on the bonds indenture, the subsidiary is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific assets of the subsidiary nor guaranteed by other parties. All of the subsidiary's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the subsidiary's other liabilities including the bonds.

xxxi) Loan 36 represents Limited Bonds II issued by Lintasarta. Indosat Lintasarta entered into an agreement with its stockholders for the former to issue Limited Bonds II amounting to Rp 66,150 million (QR 26,625,849). The limited bonds represent unsecured bonds which were originally set to mature on 14 June 2009 and bore interest at the floating rates determined using the average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3%. The maximum limit of the floating rates was 19% and the minimum limit was 11% per annum. The interest is payable on a quarterly basis starting 14 September 2006.

The proceeds of the limited bonds were used for capital expenditure to expand Lintasarta's telecommunication peripherals.

On 14 June 2009, Lintasarta paid a portion of the limited bonds amounting to Rp 6,150,000 (QR 2,383). Based on the minutes of the joint meeting of Lintasarta's Board of Commissioners and Directors held on 20 May 2009, it was agreed to extend the maturity date of the remaining Limited Bonds II of Rp 60,000 million (QR 23,243,400) to 14 June 2012 and to increase the minimum limit of the floating interest rates to 12.75%. On 25 August 2009, the amended agreement of Limited Bonds II to accommodate the changes in maturity date and minimum limit of floating interest rates was finalized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

xxxii) Loan 37 represents Indosat's Limited Bonds I amounting to Rp 40,000 million (QR 15,495,600). The limited bonds are unsecured. These were originally set to mature on 2 June 2006 and bore interest at the fixed rate of 16% per annum for the first year and floating rates for the succeeding years.

On the maturity date, Lintasarta paid a certain portion of the limited bonds amounting to Rp 5,144 million (QR 1,992,734) and subsequently extended the maturity date of the remaining balance of Rp 34,856 million (QR 13,502,866) until 2 June 2009. The extension of maturity date was made based on the first amendment dated 14 June 2006 of the Limited Bonds I agreement. The floating interest rates of the bonds are determined using the average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3%. The maximum limit of the floating rate is 19% and the minimum limit is 11% per annum.

On 2 June 2009, Lintasarta paid a portion of the limited bonds amounting to Rp 8,303 million (QR 3,216,499). Based on the minutes of the joint meeting of Lintasarta's Board of Commissioners and Directors held on 20 May 2009, it was agreed to extend the maturity date of the remaining Limited Bonds I of Rp 26,553 million (QR 10,286,367) to 2 June 2012 and to increase the minimum limit of the floating interest rates to 12.75%. On 25 August 2009, the amended agreement of Limited Bonds I to accommodate the changes in maturity date and minimum limit of floating interest rates was finalised.

27 EMPLOYEE BENEFITS

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Employees' end of service benefits	285,617	270,269
Post retirement health care plan	212,679	157,673
Defined benefit pension plan/Labour Law No. 13/2003	57,253	36,972
Other employee benefits	49,941	36,713
	<u>605,490</u>	<u>501,627</u>

Movement in the provision for employee benefits was as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
At 1 January	501,627	191,075
Acquisition of subsidiaries	595	239,884
Provided during the year	113,680	112,165
Paid during the year	(52,877)	(4,612)
Exchange adjustment	42,465	(36,885)
At 31 December	<u>605,490</u>	<u>501,627</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

27 EMPLOYEE BENEFITS (continued)

The details of the benefit plans operated by the Group were as follows:

Employees' end of service benefits

The Company and its certain subsidiaries provide end of service benefits to their employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

The subsidiaries, Indosat, Satelindo and Lintasarta have defined benefit and defined contribution pension plans covering substantially all of their qualified permanent employees.

Post-retirement healthcare

The subsidiary provides post-retirement healthcare benefits to its employees who leave after the employees fulfill the early retirement requirement. The spouse and children, who have been officially registered in the administration records of the subsidiary are also eligible to receive benefits. If the employees die, the spouse and children are still eligible for the post-retirement healthcare until the spouse dies or remarries and the children reach the age of 25 or get married.

The utilization of post-retirement healthcare is limited to an annual maximum ceiling that refers to monthly pension from Jiwasraya as follows:

- 16 times the Jiwasraya monthly pension for a pensioner who receives monthly pension from Jiwasraya.
- 16 times the equality monthly pension for a pensioner who became permanent employee after 1 September 2000.
- 16 times the last monthly pension for a pensioner who retired after July 1, 2003 and does not receive Jiwasraya monthly pension.

The net periodic post-retirement healthcare cost for the years ended 31 December 2009 was calculated based on the actuarial valuations as of 31 December 2009. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<i>2009</i>	<i>2008</i>
Annual discount rate	11%	12%
Ultimate cost trend rate	6%	6%
Next year trend rate	16%	18%
Period to reach ultimate cost trend rate	5 years	6 years

- a) The composition of the periodic post-retirement healthcare cost for the year ended 31 December was as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Interest cost	20,634	25,374
Amortisation of unrecognised actuarial loss	-	5,453
Amortisation of unrecognised past service cost	3,684	3,475
Service cost	6,919	5,654
Periodic post-retirement healthcare cost	<u>31,237</u>	<u>39,956</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

27 EMPLOYEE BENEFITS (continued)

Post-retirement healthcare (continued)

- b) The composition of the accrued post-retirement healthcare cost as of 31 December was as follows:

	2009 QR'000	2008 QR'000
Projected benefit obligation	234,627	163,824
Unrecognised actuarial (loss) gain	(833)	14,405
Unrecognised past service costs	(16,156)	(17,346)
Accrued post-retirement healthcare cost	<u>217,638</u>	<u>160,883</u>

- c) Movement in the accrued post-retirement healthcare cost during the year ended 31 December were as follows:

	2009 QR'000	2008 QR'000
At 1 January	160,883	-
At acquisition of subsidiaries	-	123,648
Net periodic post-retirement healthcare cost	31,237	39,956
Benefit payment	(4,099)	(2,721)
Exchange adjustment	29,617	-
At 31 December	<u>217,638</u>	<u>160,883</u>

As of 31 December 2009, the current portion of post-retirement healthcare cost included in accrued expenses (Note 29) amounted to QR 4,959,000 (2008: QR 3,210,000) and the non-current portion included in employee benefits amounted to QR 212,679,000 (2008: QR 157,673,000).

- d) The effect of 1% increase in assumed post-retirement healthcare cost trend rate would result in aggregate service and interest costs for the year ended 31 December and accumulated post-retirement healthcare benefit obligation as of 31 December was as follows:

	2009 QR'000	2008 QR'000
Service and interest costs	36,886	50,273
Accumulated post-retirement healthcare benefit obligation	281,115	361,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

27 EMPLOYEE BENEFITS (continued)

Defined Benefit Pension Plan/Labour Law No. 13/2003

i) Labour Law No. 13/2003

Indosat, Lintasarta and IMM also accrue benefits under Indonesian Labor Law No. 13/2003 ("Labor Law") dated March 25, 2003. Their employees will receive the benefits under this law or defined benefit pension plan, whichever amount is higher.

The net periodic pension cost under the Labor Law for the years year ended 31 December 2009 and 2008 was calculated based on the actuarial valuations as of 31 December 2009 and 2008, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2009	2008
Annual discount rate	10.5%	12.0%
Annual rate of increase in compensation	10%	11.0%

a) The composition of the periodic pension cost under the Labor Law for the years ended 31 December 2009 and 2008 were as follows:

	2009 QR'000	2008 QR'000
Service cost	6,904	5,580
Interest cost	6,570	3,444
Amortisation of recognised actuarial loss	649	148
Immediate recognition of past service cost-vested benefit	319	-
Periodic pension cost	14,442	9,172

b) The composition of the accrued pension cost under the Labour Law during the years ended 31 December 2009 and 2008 was as follows:

	2009 QR'000	2008 QR'000
Projected benefit obligations	72,786	52,027
Unrecognised actuarial loss	(10,671)	(14,338)
Unrecognized past service cost	(3,854)	-
Accrued pension costs	58,261	37,689

As of 31 December 2009, the current portion of pension cost under the Labor Law included in accrued expenses (Note 29) amounted to QR 1,008,400 (2008: QR 716,000) and the non-current portion included in employees service benefits amounted to QR 57,253,000 (2008: QR 36,972,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

27 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan**

The subsidiaries, Indosat, Satelindo and Lintasarta provide defined benefit pension plans to their respective employees under which pension benefits to be paid upon retirement are based on the employees' most recent basic salary and number of years of service. PT Asuransi Jiwasraya ("Jiwasraya"), a state-owned life insurance company, manages the plans. Pension contributions are determined by periodic actuarial calculations performed by Jiwasraya.

Based on an amendment dated 22 December 2000 of the subsidiaries pension plan, which was further amended on 29 March 2001, the benefits and premium payment pattern were changed. Before the amendment, the premium was regularly paid annually until the plan would be fully funded and the benefits consisted of retirement benefit (regular monthly or lump-sum pension) and death insurance. In conjunction with the amendment, the plan would be fully funded after making installment payments up to January 2002 of the required amount to fully fund the plan determined as of 1 September 2000. The amendment also includes an additional benefit in the form of thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri ("Moslem Holiday").

The amendment covers employees registered as participants of the pension plan as of 1 September 2000 and includes an increase in basic salary pension by 9% compounded annually starting from 1 September 2001. The amendment also stipulates that there will be no increase in the premium even in cases of mass employee terminations or changes in marital status.

The total premium installments based on the amendment amounted to QR 137,524,000 and were paid on due dates.

On 1 March 2007, the Indosat entered into an agreement with Jiwasraya to provide defined death insurance plan to 1,276 employees as of 1 January 2007, who are not covered by the defined benefit pension plan as stated above. Based on the agreement, a participating employee will receive:

- Expiration benefit equivalent to the cash value at the normal retirement age, or
- Death benefit not due to accident equivalent to 100% of insurance money plus cash value when the employee dies not due to accident, or
- Death benefit due to accident equivalent to 200% of insurance money plus cash value when the employee dies due to accident.

The premium of QR 2,944,000 was fully paid on 29 March 2007. Subsequently, in August 2007 and February to December 2008 and January to December 2009, the subsidiary made payments for additional premium of QR 107,000 for additional 55 employees, QR 312,000 for additional 161 employees and QR 161,000 for additional 81 employees, respectively.

On 25 June 2003, Satelindo entered into an agreement with Jiwasraya to amend the benefits and premium payment pattern of the former's pension plan. The amendment covers employees registered as participants of the pension plan as of 25 December 2002 up to 25 June 2003. Other new conditions include the following:

- An increase in pension basic salary at 6% compounded annually starting from 25 December 2002.
- Thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri.
- An increase in periodic payment of retirement benefit at 6% compounded annually starting one year after receiving periodic retirement benefit for the first time.
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

27 EMPLOYEE BENEFITS (continued)

ii) Defined Benefit Pension Plan (continued)

On 15 April 2005, Lintasarta entered into an agreement with Jiwasraya to replace their existing agreement. Based on the new agreement, the benefits and premium payment pattern were changed. This agreement is effective starting 1 January 2005. The total premium installments based on the agreement amounted to QR 23,872,000 which is payable in 10 annual installments starting 2005 until 2015.

The new agreement covers employees registered as participants of the pension plan as of 1 April 2003. The conditions under the new agreement include the following:

- An increase in basic salary pension by 3% (previously was estimated at 8%) compounded annually starting 1 April 2003.
- An increase in periodic payment of retirement benefit at 5% compounded annually starting one year after receiving periodic retirement benefit for the first time.
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On 2 May 2005, Lintasarta entered into an agreement with Jiwasraya to amend the above agreement. The amendment covers employees registered as participants of the pension plan as of 1 April 2003 up to 30 November 2004 with additional 10 annual premium installments totalling QR 640,000 which are payable starting 2005 until 2015.

The contributions made by Lintasarta to Jiwasraya amounted to QR 3,739,000 for the year ended 31 December 2009 (2008: QR 3,210,000).

The net periodic pension cost for the pension plans for the years ended 31 December 2009 was calculated based on the actuarial valuations as of 31 December 2009. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2009	2008
Annual discount rate	10.7%	12%
Expected annual rate of return on plan assets	9.0%	9%
Annual rate of increase in compensation	3.0 -	3.0 -
	9.0%	9.0%
Mortality rate	TMI	TMI
	1999	1999

a) The composition of the net periodic pension cost for the year ended 31 December was as follows:

	2009	2008
	QR'000	QR'000
Interest cost	22,436	21,982
Service cost	13,927	9,811
Net amortisation	(504)	1,692
Return on plan assets	(24,461)	(21,249)
	<u>11,398</u>	<u>12,236</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

27 EMPLOYEE BENEFITS (continued)**ii) Defined Benefit Pension Plan (continued)**

b) The funded status of the plans as of 31 December was as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Plan assets at fair value	315,176	267,777
Projected benefit obligation	<u>(281,411)</u>	<u>(179,994)</u>
Excess of plan assets over projected benefit obligation	33,765	87,783
Unrecognised actuarial loss	<u>24,273</u>	<u>(30,216)</u>
	<u>58,038</u>	<u>57,567</u>

c) Movement in the prepaid pension cost during the year ended 31 December was as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
At 1 January	57,567	-
At acquisition of subsidiaries	-	62,204
Net periodical pension cost	(11,398)	(6,118)
Refund	(392)	(258)
Contribution	4,051	1,739
Exchange adjustment	<u>8,210</u>	<u>-</u>
At 31 December	<u>58,038</u>	<u>57,567</u>
Presented in the consolidated statement of financial position as follows:		
Current portion (Note 21)	945	1,036
Long-term portion (Note 18)	<u>57,093</u>	<u>56,531</u>
	<u>58,038</u>	<u>57,567</u>

Plan assets as of 31 December 2009 and 2008 principally consisted of time deposits, debt securities, long-term investment in shares of stock and property.

Defined Contribution Pension Plan

In May 2001 and January 2003, the subsidiary PT Indosat Tbk and Satelindo assisted their employees in establishing their respective employees' defined contribution pension plans, in addition to the defined benefit pension plan as mentioned above. Starting June 2004, Indosat also assisted ex-IM3 employees in establishing their defined contribution pension plan. Under the defined contribution pension plan, the employees contribute 10% - 20% of their basic salaries, while the subsidiary does not contribute to the plans. Total contributions of employees for the year ended 31 December 2009 amounted to QR 7,535,000 (2008: QR 5,549,000). The plan assets are being administered and managed by seven financial institutions appointed by the Indosat and Satelindo, based on the choice of the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

28 OTHER NON-CURRENT LIABILITIES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Communications and Media Commission (CMC) Iraq (i)	1,820,750	1,517,292
Ministry of Communication and Technology (‘MOCIT’) Indonesia (ii)	1,141,123	468,700
Non-current portion of negative fair value of derivatives (Note 31)	267,594	739,463
Ministry of Telecommunications and Information Technology- Palestine (Note 14)	182,736	571,770
Telecommunications Regulatory Commission (‘TRC’) Jordan (iii)	26,944	29,497
Site restoration provision	22,401	17,399
Others	58,933	78,885
Non-current portion of retention payable	<u>-</u>	<u>23,125</u>
	<u>3,520,481</u>	<u>3,446,131</u>

Notes :

- (i) Amounts payable to Communications and Media Commission (CMC) Iraq for obtaining a license, to operate mobile telecom services in Iraq by a subsidiary, ACL, Iraq. The license is valid for a period of 15 years. Initially, the company had agreed to pay the unpaid portion of QR 2,275,938,000 within twelve months. This was subsequently extended to be payable in 3 years with a market interest on the principal of 8% per annum. During the year, it was agreed that a sum of QR 236,698,000 is required to be paid in February 2010 and the remaining amount of QR 1,820,750,000 shall be payable over the next 4 years and the interest rate was reduced to 6%.
- (ii) This amount represents the amounts payable to the Ministry of Communication and Technology with respect to the 3G license and Broadband Wireless Access (WDA) and amounting to QR 1,076,943,000 and QR 64,180,000 respectively. The 3G license was obtained in two phases one during the year 2006 and 2009. The payment terms of the amount outstanding is based on a payment scheme considering the auction prices while obtaining the respective license and the payment scheme is subject to interest at the Certificate Bank Rate of Indonesia.
- (iii) Amounts payable to TRC represents the fair value of the amount due to TRC for obtaining the Radio Spectrum License by a subsidiary in the Hashemite Kingdom of Jordan. As agreed with TRC, the subsidiary should settle the license costs amounting to QR 36,512,000 in annual instalments of QR 3,277,000 bearing a compound interest rate of 9%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

29 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
Trade accounts payable	4,405,651	4,049,563
Accrued expenses	3,071,580	3,281,204
License costs payable (see below)	255,442	980,670
Amounts due to international carriers	119,603	194,969
Negative fair value of derivatives (Note 31)	498,869	125,077
Other payables	<u>1,608,656</u>	<u>1,077,914</u>
	<u>9,959,801</u>	<u>9,709,397</u>

License costs payable include current portion of the unpaid license fees payable to Communications and Media Commission (CMC) Iraq and Telecommunications Regulatory Commission ("TRC") Jordan, as more explained in Notes 28 (i) and 28 (iii) respectively.

30 DIVIDENDS AND BONUS SHARES

Dividends paid and proposed

	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
Declared, accrued and paid during the year:		
Final dividend for 2008, QR 10 per share (2008 : QR 2 per share)	<u>1,466,667</u>	<u>200,000</u>
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December):		
Final dividend for 2009, QR 7 per share (2008 : QR 10 per share)	<u>1,026,667</u>	<u>1,466,667</u>

Bonus shares:

During 2008, the Company issued 1 bonus share for every 10 shares held as at 31 December 2007, aggregating 10 million shares with a nominal value QR 100 million. No bonus shares were issued by the Company during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

31 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not designated as hedging instruments

The Group uses cross currency swap contracts, currency forward contracts and interest rate swaps to manage some of the currency transaction exposure and interest rate exposure. These contracts are not designated as cash flow, fair value or net investment hedges and are accounted for as derivative financial instruments:

	<i>Notional amounts</i>	
	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
Cross currency swaps	1,853,524	1,653,525
Currency forward contracts	777,718	10,467
Interest rate swaps	1,759,708	1,319,086
	<u>4,390,950</u>	<u>2,983,078</u>

	<i>Fair values</i>			
	<i>2009</i>		<i>2008</i>	
	<i>Positive</i>	<i>Negative</i>	<i>Positive</i>	<i>Negative</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Cross currency swaps	86,777	6,629	218,113	19,242
Currency forward contracts	3,164	213	1,159	-
Interest rate swaps	-	60,986	243	85,802
	<u>89,941</u>	<u>67,828</u>	<u>219,515</u>	<u>105,044</u>

Cash flow hedges

The Group has several interest rates swap agreements with a view to limit its floating interest rate exposure on its term loans. Under the interest rate swap arrangements, the Group will pay an agreed fixed interest rate and receive floating interest rates based on US\$ LIBOR.

The swap arrangements qualify for hedge accounting under IAS 39, the hedging relationship and objective, including details of the hedged items and hedging instruments are formally documented as the transactions are accounted as cash flow hedges.

The table below shows the positive and negative fair values of derivative financial instruments held as cash flow hedges together with the notional amounts:

	<i>Negative fair value</i>	<i>Positive fair value</i>	<i>Notional amounts</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Interest rate swaps			
31 December 2009	<u>698,635</u>	<u>24,371</u>	<u>23,764,992</u>
31 December 2008	<u>759,496</u>	<u>-</u>	<u>12,210,048</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

32 COMMITMENTS

Capital expenditure commitments

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Property, plant and equipment		
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	<u>3,433,270</u>	<u>3,961,172</u>

Intangible assets

For the acquisition of Palestine mobile license	<u>515,637</u>	<u>-</u>

Operating lease commitments

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Future minimum lease payments:		
Not later than one year	121,683	50,589
Later than one year and not later than five years	418,193	187,664
Later than five years	<u>226,238</u>	<u>193,158</u>
Total operating lease expenditure contracted for at 31 December	<u>766,114</u>	<u>431,411</u>

Finance lease commitments

Finance lease liabilities are payable as follows:

	<i>Minimum lease payments QR'000</i>	<i>Interest charge QR'000</i>	<i>Present value of minimum lease payments QR'000</i>
At 31 December 2009			
Within one year	<u>-</u>	<u>-</u>	<u>-</u>
	<i>Minimum lease payments QR'000</i>	<i>Interest charge QR'000</i>	<i>Present value of minimum lease payments QR'000</i>
At 31 December 2008			
Within one year	<u>2,171</u>	<u>-</u>	<u>2,171</u>

33 CONTINGENT LIABILITIES

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Letters of guarantees	<u>579,133</u>	<u>618,556</u>
Letters of credit	<u>14,743</u>	<u>38,528</u>
Claims against the Group not acknowledged as debts	<u>11,518</u>	<u>10,896</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

33 CONTINGENT LIABILITIES (continued)**Legal actions**

On 6 June 2008, Qtel entered into a Share Purchase Agreement (“SPA”) with STT Communications Ltd. (“STTC”), a subsidiary of Singapore Technologies Telemedia Pte. Ltd. (“STT”), pursuant to which Qtel, through its subsidiary, Qtel South East Asia Holding S.P.C. (“QSEA”), acquired 100% of both Indonesia Communications Limited (“ICLM”) and Qatar Telecom (Qtel Asia) Pte Ltd. (formerly known as Indonesia Communications Pte Ltd) (“QA”) from Asia Mobile Holdings Pte. Ltd (“AMH”), which is 75% indirectly owned by STT and 25% indirectly owned by Qtel. ICLM and QA together own 65% of the voting shares of PT Indosat Tbk. Under the SPA, Qtel was responsible for the seller’s liabilities and associated costs which have arisen or may arise in relation to or in connection with the proceedings and class action suits mentioned below:

KPPU proceedings:

In June 2007, each of STT, STTC, Asia Mobile Holding Company Pte. Ltd. (“AMHC”), AMH, ICLM and QA were summoned to appear before the Business Competition Supervisory Commission of the Republic of Indonesia (the “KPPU”) in response to allegations that each of them as well as Temasek Holdings (Private) Limited (“Temasek”), Singapore Telecommunications Ltd. (“SingTel”) and Singapore Telecom Mobile Pte. Ltd. (“SingTel Mobile”) (together, the “Reported Parties”) are part of an alleged Temasek Business Group which has breached Article 27(a) of the Indonesian Law No. 5/1999 (the “Anti-Monopoly Law”). Article 27(a) of the Anti-Monopoly Law prohibits a business actor or a group of business actors from owning majority shares in more than one similar company conducting business activities in the same market concerned if the said ownership results in such business actors controlling over 50% of the market share of the goods or services in question. Temasek, STT, STTC, AMHC and AMH have an indirect shareholding interest in shares in Indosat with ICLM and QA directly holding 40.8% of the shares in PT Indosat Tbk (“Indosat”) in June 2007, whilst Temasek and SingTel have an indirect shareholding interest in shares in PT Telkomsel (“Telkomsel”) with SingTel Mobile directly holding 35% of the shares in Telkomsel.

In its decision of 19 November 2007, the Commission Panel of the KPPU ruled, amongst other things, that the Reported Parties had violated Article 27(a) of the Anti-Monopoly Law, and ordered:

- (a) the Reported Parties to divest the ownership in all of their shares in either Telkomsel or Indosat within two years as of the decision of KPPU becoming final, binding and enforceable;
- (b) the Reported Parties to decide to divest either all of their shares in Telkomsel or Indosat, and to relinquish all voting rights and rights to appoint Directors and Commissioners in either Telkomsel or Indosat until all the shares have been divested as ordered in the paragraph above; and
- (c) each of the Reported Parties to pay a fine in the amount of Rp. 25 billion (QR 9.7 million).

STT, STTC, AMHC, AMH, ICLM and QA appealed against the KPPU’s ruling by submitting an objection to the District Court, which issued its ruling on 9 May 2008, upholding the Panel’s finding regarding cross-ownership and anticompetitive conduct. The District Court also upheld the divestment and corporate governance orders, reducing the timescale for divestment to 12 months from 2 years. However, the District Court increased the share parcel limitation to 10%, though still limited to buyers unassociated with the Group. Each Group member was fined Rp 15 billion (QR 5.8 million), as was Telkomsel. The tariff reduction order against Telkomsel was eliminated.

The decision was then appealed to the Supreme Court, and a further round of cassation briefs were lodged. The Supreme Court announced its decision on 10 September 2008, approving the District Court’s decision in part, with the notable exception of the share parcel limitation, the removal of which had the effect of extinguishing the potential for any challenge to the validity of the purchase by ICLM and QA of the Indosat shares. A number of parties lodged a Motion to Reconsider the Supreme Court ruling prior to the end of May 2009. The Motions to Reconsider were provided to the Supreme Court by the District Court in December 2009. The KPPU has filed a response to the Motions to Reconsider and that was also provided to the Supreme Court in December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2009

33 CONTINGENT LIABILITIES (continued)

Legal actions (continued)

Class actions:

Temasek, STT, STTC, AMHC, AMH, ICLM, QA, SingTel, SingTel Mobile, Indosat, Telkomsel and PT Telekomunikasi Indonesia Tbk cq., the Regional Telecommunication Branch of Tangerang as the defendants, along with the Government of Republic of Indonesia, and also the Government of Republic of Indonesia cq., the State Ministry of State-Owned Enterprise as co-defendants (collectively, the “Defendants”) are currently parties to two class actions.

In December 2007, the first of these two class actions was filed in the Tangerang District Court (Class Action Lawsuit 1).

The second class action lawsuit with the Central Jakarta District Court (“Class Action Lawsuit 2”) was filed in April 2008. In February 2008, the Tangerang District Court provisionally granted certification (for the purposes of the initial review of the suit) of Class Action Lawsuit 1.

Both actions allege violations of Indonesian consumer protection laws, including, among others, Article 4 point (b), point (e) and point (h) and Article 7 point (a) of Law 8 of 1999 on the Consumer Protection and Article 15 Paragraph (1) of Law 36 of 1999 on Telecommunication JO. Article 68 of the Government Regulation Lawsuit 52 of 2000 on the Telecommunication Operation and Article 1365 of the Indonesian Civil Code.

Both actions are based on the findings of the KPPU, and are brought on behalf of various classes of cellular telephone consumers in Indonesia (the “Plaintiffs”). The two actions allege anti-competitive behavior, including excessive pricing, resulting from cross-ownership of Indosat and Telkomsel by the Defendants.

Qatar Telecom (Qtel Asia) Pte. Ltd. has submitted a Motion to Consolidate Class Action Lawsuit 1 and Class Action lawsuit 2. This Motion to Consolidate is currently being considered by the Supreme Court.

There was a Class Action Lawsuit 2 hearing on 27 January 2010 in which the Central Jakarta District Court ruled on the parties filing in relation to jurisdiction, legal standing of the parties and class certification. The Central Jakarta District Court verbally ruled in favour of the Defendants and dismissed the action. The Plaintiff may appeal but timing on this is uncertain as they have 14 days from the date the written decision is provided to all parties.

On the advice of outside counsel, Qtel is of the view that the class actions (a) should not be permitted to proceed as class actions, and (b) are, in substance, meritless.

34 TAX CLAIM

The joint venture Tunisiana has received a tax claim relating to the new tax law issued in 2007 for the electronic recharge sales. The total amount claimed by the Tunisian Tax Authority is equivalent to QR 189,901,000 without penalties (2008: equivalent of QR 201,493,000). The judgement of the court of appeal received in 2009 has confirmed the first judgement.

In May 2007, Tunisiana received the first judgement related to the inspection for the period covering January 2006 to May 2006. The judgement confirmed the tax claim for a total equivalent of QR 41,421,000 (2008: QR 43,854,000). On 29 June 2007 and 8 October 2007 Tunisiana has filed an appeal against the judgement. The judgment of the Court of appeal received in 2009 has confirmed the first judgment.

Tunisiana has made a total provision of equivalent to QR 41,421,000 (2008: Equivalent of QR 43,854,000) with regards to this claim. On the basis of the information available at the end of the financial reporting year, management believes that the provision is adequate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

35 FINANCIAL RISK MANAGEMENT**Objectives and policies**

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, accounts payable and certain other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable, financial investments and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps, cross currency swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Interest rate risk

The Group's financial assets and liabilities that are subject to interest rate risk comprise bank deposits, loans receivable, available-for-sale debt instruments, interest bearing loans and borrowings. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates and fixed interest instruments maturing within three months from the end of the financial reporting year.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional amount. The swaps are designated to hedge underlying debt obligations. At 31 December 2009, after taking into the effect of interest rate swaps, approximately 71% of the Group's borrowings are at a fixed rate of interest (2008: 59%).

The following table demonstrates the sensitivity of the income statement and equity to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the income statement and equity is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	<i>Income statement</i>	<i>Equity</i>
	<i>+25b.p</i>	<i>+25 b. p</i>
	<i>QR'000</i>	<i>QR'000</i>
<i>At 31 December 2009</i>		
US\$ LIBOR	(52,945)	30,553
Others	(2,728)	-
<i>At 31 December 2008</i>		
US\$ LIBOR	(35,520)	30,525
Others	(1,242)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

35 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in foreign subsidiaries.

The Group had the following significant net exposure denominated in foreign currencies.

	2009 QR'000 <i>Assets</i> <i>(Liabilities)</i>	2008 QR'000 <i>Assets</i> <i>(Liabilities)</i>
Indonesian Rupiah (Rp)	3,774,964	4,016,735
KD	5,682,463	5,517,977
US Dollars (US\$)	(4,680,745)	(3,610,261)
Euro	(1,928,968)	(177,488)
GBP	1,268	(2,247)
Others	(66,874)	(74,055)

The US Dollar denominated balances are not considered to represent a significant currency risk as QR is pegged to US\$.

The following table demonstrates the sensitivity to income statement and equity for a reasonably possible change in the following currencies against QR, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets, liabilities and forward exchange contracts and the Group's equity on account of translation of foreign subsidiaries. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown:

	<i>Effect on income statement</i>		<i>Effect on equity</i>	
	2009	2008	2009	2008
	+10%	+10%	+10%	+10%
	QR'000	QR'000	QR'000	QR'000
Indonesian Rupiah	-	-	377,496	401,674
KD	-	-	568,243	551,798
US Dollars	(468,075)	(361,026)	-	-
Euro	(192,897)	(17,748)	-	-
GBP	126	(225)	-	-

Equity price risk

The following table demonstrates the sensitivity of the fair value reserve to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	<i>Changes in</i> <i>equity indices</i> <i>QR'000</i>	<i>Effect on equity</i> <i>QR'000</i>
2009		
Qatar Exchange (QE)	+10%	43,947
Kuwait Stock Exchange (KSE)	+15%	8,068
2008		
Qatar Exchange (QE)	+10%	46,912
Kuwait Stock Exchange (KSE)	+15%	6,414

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

35 FINANCIAL RISK MANAGEMENT (continued)**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of account receivables, bank balances, available-for-sale debt instruments and loans receivable and positive fair value of derivatives.

The Group provides telecommunication services to various parties. It is the Group's policy that all customers who wish to obtain on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the purchase of service limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to the trade accounts receivable net of allowance for impairment as at 31 December is as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Qatar	437,931	400,528
Other countries	<u>1,389,007</u>	<u>1,021,038</u>
	<u>1,826,938</u>	<u>1,421,566</u>

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments are as follows:

	<i>2009</i> <i>QR'000</i>	<i>2008</i> <i>QR'000</i>
Available-for-sale debt instruments	160,264	151,952
Bank balances (excluding cash)	11,485,854	7,827,902
Positive fair value of derivatives	114,312	219,515
Amounts due from international carriers	52,644	93,241
Unbilled subscriber revenue	336,422	318,242
Other non-current assets	<u>178,656</u>	<u>132,800</u>
	<u>12,328,152</u>	<u>8,743,652</u>

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in the reputed banks. Credit risk arising from derivative financial instruments is at any time, limited to those with positive fair values, as recorded on the consolidated statement of financial position. With gross settled derivatives, the Group is also exposed to settlement risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of Groups own reserves and bank facilities. The Group's terms of sales require amounts to be paid within 30 days from the invoiced date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

35 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

	<i>On demand QR'000</i>	<i>Less than 1 year QR'000</i>	<i>1 to 2 years QR'000</i>	<i>2 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2009						
Interest bearing loans and borrowings	4,942	3,869,562	11,143,860	23,606,833	5,216,327	43,841,524
Trade accounts payable	-	4,405,651	-	-	-	4,405,651
License costs payable	-	623,977	980,563	2,128,040	405,463	4,138,043
Other financial liabilities	-	5,030,143	58,933	267,594	-	5,356,670
	<u>4,942</u>	<u>13,929,333</u>	<u>12,183,356</u>	<u>26,002,467</u>	<u>5,621,790</u>	<u>57,741,888</u>

	<i>On demand QR'000</i>	<i>Less than 1 year QR'000</i>	<i>1 to 2 years QR'000</i>	<i>2 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2008						
Interest bearing loans and borrowings	562	9,418,272	2,667,933	16,593,509	4,857,865	33,538,141
Finance leases	-	2,171	-	-	-	2,171
Trade accounts payable	-	4,049,563	-	-	-	4,049,563
License costs payable	-	1,295,011	1,776,926	852,990	133,914	4,058,841
Other financial liabilities	-	3,303,884	102,010	739,463	-	4,145,357
	<u>562</u>	<u>18,068,901</u>	<u>4,546,869</u>	<u>18,185,962</u>	<u>4,991,779</u>	<u>45,794,073</u>

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year end 31 December 2009 and 31 December 2008.

Capital includes share capital, legal reserve, and retained earnings and is measured at QR 14,835,954,000 at 31 December 2009 (2008: QR 13,522,712,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	<i>Carrying amounts</i>		<i>Fair values</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>
Financial assets				
Available-for-sale investments	1,698,758	1,916,947	1,698,758	1,916,947
Other non-current assets	178,656	132,800	178,656	132,800
Accounts receivable and prepayments	2,330,316	2,052,564	2,330,316	2,052,564
Bank balances and cash	11,511,570	7,845,307	11,511,570	7,845,307
Financial liabilities				
Interest bearing loans and borrowings	35,682,842	27,975,283	36,527,050	27,975,283
Other non-current liabilities	3,439,147	3,349,847	3,439,147	3,349,847
Accounts payable and accruals	9,959,801	9,709,397	9,959,801	9,709,397
Current account with State of Qatar	2,803,015	1,905,921	2,803,015	1,905,921
Income tax payable	391,492	592,443	391,492	592,443

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

- Cash and short-term deposits, trade accounts receivable, trade accounts payable, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. At the end of the reporting period, the carrying amounts of such receivables, net of allowances, approximate their fair values.
- Fair value of quoted investments is based on price quotations at the end of the reporting period. The fair value of unquoted investments, loans from banks and other financial indebtedness, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates applicable for similar risks and maturity profiles. Fair value of unquoted financial assets are estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counter parties, foreign exchange spot and forward rates and interest rate curves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair values are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Financial assets

	<i>2009</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Available- for- sale investments	1,429,433	599,703	682,825	146,905
Derivative financial instruments	<u>114,312</u>	<u>-</u>	<u>114,312</u>	<u>-</u>
	<u>1,543,745</u>	<u>599,703</u>	<u>797,137</u>	<u>146,905</u>

Financial liabilities

	<i>2009</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Derivative financial instruments	<u>766,463</u>	<u>-</u>	<u>766,463</u>	<u>-</u>

The following table shows a reconciliation of the opening and closing amount of Level 3 financial instruments which were recorded at fair value:

	<i>Available- for-sale investments</i> <i>QR'000</i>
At 1 January 2009	79,834
Transfers into Level 3	150,008
Gain (loss) to consolidated income statement	(74,934)
Revaluation gain (loss) transferred to fair value reserve	(368)
Purchases (Sales)	(6,509)
Exchange differences	<u>(1,126)</u>
At 31 December 2009	<u>146,905</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

37 RELATED PARTY DISCLOSURES**Related party transactions and balances**

Related parties represent associated companies including Government and semi Government agencies, associates, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. In the ordinary course of business the Group enters into transactions with related parties. Pricing policies and terms of transactions are approved by the Group's management.

The Group also has significant commercial transactions with the Government of Qatar which mainly represents royalty payments (Note 13) and current account payable amounting to QR 2,803,015,000 (2008: QR 1,905,921,000). Further the Group enters into commercial transactions with other Government related entities in the ordinary course of business in terms of providing telecommunication services, placement of deposits and obtaining credit facilities etc.,

Amounts due from Directors' for services provided under the ordinary course of business amounting to QR 126,000 (2008: QR 109,000) included under the caption "trade accounts receivable" in Note 23.

Transactions with Directors and other key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility of planning, directing and controlling the activities of the Group.

Directors' remuneration of QR 10,700,000 was proposed for the year ended 31 December 2009 (2008: QR 10,700,000). In addition, an amount of QR 700,000 (2008: QR 900,000) was provided to members of the Committees of the Board of Directors. The compensation and benefits related to key management personnel amounted to QR 121,192,000 (2008: QR 91,667,000) and end of service benefits amounted to QR 11,226,000 (2008: QR 12,362,000). The remuneration to the Board of Directors has been included under the caption "employees salaries and associated costs" in general and administration expenses in Note 10.

38 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. All investments are classified as "available-for-sale".

Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 25-30% or more and 'prolonged' greater than nine (9) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

38 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**Fair value of unquoted equity investments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Revenue recognition- Nojoom, point plus and points more for loyalty programmes

The Group estimates the fair value of points awarded under the Nojoom, point plus and points more programme by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As points issued under the programme do not expire, such estimates are subject to significant uncertainty.

39 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to individual cash generating units (CGUs) for impairment testing as follows:

Cash generating units	<i>Carrying value 2009 QR'000</i>	<i>Carrying value 2008 QR'000 (Restated)</i>
Kuwait	598,611	641,881
Algeria	2,254,058	2,416,990
Tunisia	2,179,710	2,337,270
Indonesia	4,658,132	2,416,204
Iraq	353,408	229,960
Others	75,405	134,904
	10,119,324	8,177,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

39 IMPAIRMENT TESTING OF GOODWILL (continued)

During the year, an impairment provision of QR 68,861,000 (2008: QR 5,462,000) has been made against the goodwill relating to PTC Saudi, Starlink and FONO included in others.

Goodwill was tested for impairment as at 31 December 2009. The recoverable amount of the CGUs was determined based on value in use calculated using cash flows projections by senior management covering a period of five to ten years. Where a period of more than five years is used, this is because management considers that throughout this period, the annual growth rate of the CGUs being assessed will differ from the average growth rates for the countries concerned.

Key Assumptions used in Value in use calculations**Key Assumptions**

The principal assumptions used in the projections relate to the number of subscribers, in roaming revenue, average revenues per user, operating costs, taxes and EBITDA. The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take account over the budget period of anticipated efficiency improvements.

Discount rates

Discount rates reflect management's estimate of the risks specific to each unit. Discount rates are based on a weighted average cost of capital for each CGU. In determining appropriate discount rates for each unit, regard has been given to the yield on a ten-year US Treasury bond and specific risk factors for each country.

Growth rate estimates

For the periods beyond that covered by the projections, long-term growth rates are based on management's best estimates of the growth rates relevant to telecommunications industry in the particular country.

Kuwait :

Pre tax risk adjusted discount rate used in the testing at 31 December 2009 was 10.1% (2008: 10.7%) with a terminal growth rate of 2.75% (2008: 2.75%).

Algeria:

Pre tax risk adjusted discount rate used in the testing at 31 December 2009 was 11.2% (2008: 10.5%) with a terminal growth rate of 2.75% (2008: 2.75%).

Tunisia:

Pre tax risk adjusted discount rate used in the testing at 31 December 2009 was 9.7% (2008: 9.8%) with a terminal growth rate of 2.75% (2008: 2.75%).

Indonesia:

Pre tax risk adjusted discount rate used in the testing at 31 December 2009 was 14.0% (2008: 15.0%) with a terminal growth rate of 2.75% (2008: 2.75%).

Iraq :

Pre tax risk adjusted discount rate used in the testing at 31 December 2009 was 19.0% (2008: 20.0%) with a terminal growth rate of 2.75% (2008: 2.75%).

Management considers that changes to the discount rate could cause the carrying value of the following CGUs to exceed their recoverable amount:

Kuwait: If the discount rate is increased by 4% the recoverable amount equals the carrying value.

Algeria: If the discount rate is increased by 3% the recoverable amount equals the carrying value.

Tunisia: If the discount rate is increased by 2% the recoverable amount equals the carrying value.

Indonesia: If the discount rate is increased by 3% the recoverable amount equals the carrying value.

Iraq: If the discount rate is increased by 15% the recoverable amount equals the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

40 SEGMENT INFORMATION

For management reporting purposes, the Group is organized into business units based on their geographical area covered, and has five reportable operating segments as follows;

Qtel is a provider of domestic and international telecommunication services within the State of Qatar.

ACL, Iraq is a provider of mobile telecommunication services in Iraq.

Wataniya is a provider of mobile telephone and pager systems and services in Kuwait and elsewhere in the Middle East and North African (MENA) region.

Indosat is a provider of telecommunication services such as cellular services, fixed telecommunications, multimedia, data communication and internet services in Indonesia.

Nawras is provider of mobile telecommunication services in Oman and has been recently awarded a license to operate fixed telecommunication services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of these segments. Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

40 SEGMENT INFORMATION (continued)

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2009 and 2008:

Year ended 31 December 2009

	<i>Qtel</i> <i>QR'000</i>	<i>ACL, Iraq</i> <i>QR'000</i>	<i>Wataniya</i> <i>QR'000</i>	<i>Indosat</i> <i>QR'000</i>	<i>Nawras</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Adjustments and eliminations</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Revenue								
Third party	5,641,367	3,972,708	6,089,738	6,575,074	1,623,952	122,417	-	24,025,256
Inter-segment	44,870	25,469	5,405	3,934	888	162,300	(242,866) ⁽ⁱ⁾	-
Total revenue	5,686,237	3,998,177	6,095,143	6,579,008	1,624,840	284,717	(242,866)	24,025,256
Results								
Segment profit before tax	1,845,156	1,091,632	1,665,515	897,214	493,071	(528,001)	(966,360) ⁽ⁱⁱ⁾	4,498,227
Depreciation and amortisation	599,614	565,381	1,055,494	2,069,987	194,545	29,018	975,723 ⁽ⁱⁱⁱ⁾	5,489,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

40 SEGMENT INFORMATION (continued)

Year ended 31 December 2008

	<i>Qtel</i> <i>QR '000</i>	<i>ACL, Iraq</i> <i>QR '000</i>	<i>Wataniya</i> <i>QR '000</i>	<i>Indosat</i> <i>QR '000</i>	<i>Nawras</i> <i>QR '000</i>	<i>Others</i> <i>QR '000</i>	<i>Adjustments and eliminations</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
Revenue								
Third party	5,435,577	2,847,147	6,526,234	4,162,152	1,318,080	29,737	-	20,318,927
Inter-segment	11,460	58	167	1,803	-	27,901	(41,389) ⁽ⁱ⁾	-
Total revenue	<u>5,447,037</u>	<u>2,847,205</u>	<u>6,526,401</u>	<u>4,163,955</u>	<u>1,318,080</u>	<u>57,638</u>	<u>(41,389)</u>	<u>20,318,927</u>
Results								
Segment profit before tax (Restated)	<u>1,652,960</u>	<u>412,713</u>	<u>1,076,830</u>	<u>458,536</u>	<u>218,857</u>	<u>40,384</u>	<u>(741,242)⁽ⁱⁱ⁾</u>	<u>3,119,038</u>
Depreciation and amortisation	<u>495,663</u>	<u>522,099</u>	<u>1,059,608</u>	<u>1,003,161</u>	<u>153,288</u>	<u>12,446</u>	<u>735,780⁽ⁱⁱ⁾</u>	<u>3,982,045</u>
(i) Inter-segment revenues are eliminated on consolidation.								
(ii) Segment profit before tax does not include the following:								
			2009 QR '000		2008 QR '000			
Amortisation of additional intangibles identified in PPA			(975,723)		(735,780)			
Impairment of goodwill			(68,861)		(5,462)			
Write back of negative goodwill			<u>78,224</u>		<u>-</u>			
			<u>(966,360)</u>		<u>(741,242)</u>			

(iii) Amortisation relating to additional intangibles identified from business combination was not considered as part of segment expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

40 SEGMENT INFORMATION (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2009 and 2008.

	<i>Qtel</i> <i>QR '000</i>	<i>ACL, Iraq</i> <i>QR '000</i>	<i>Wataniya</i> <i>QR '000</i>	<i>Indosat</i> <i>QR '000</i>	<i>Nawras</i> <i>QR '000</i>	<i>Others</i> <i>QR '000</i>	<i>Adjustments and eliminations</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
Segment assets (i)								
At 31 December 2009	15,968,079	7,225,192	23,773,916	24,693,962	1,965,171	1,193,009	10,119,324	84,938,653
At 31 December 2008 (Restated)	11,536,234	6,316,422	24,650,314	19,857,223	1,739,703	872,822	8,177,209	73,149,927
Capital expenditure (ii)								
At 31 December 2009	938,526	1,229,057	1,426,738	5,303,339	492,947	187,988	-	9,578,595
At 31 December 2008	1,007,591	451,981	2,631,734	2,272,629	339,039	130,957	-	6,833,931

Notes:

- (i) Goodwill amounting to QR 10,119,324,000 (31 December 2008: QR 8,177,209,000) was not considered as part of segment assets as goodwill is managed on a group basis.
- (ii) Capital expenditure consists of additions to property, plant and equipment and intangibles excluding goodwill and assets from business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

41 COMPARATIVE INFORMATION

The previously reported revenue, expenses, assets, liabilities, and equity have been restated as a result of Purchase Price Allocation of a subsidiary acquired in 2008, as more explained in Notes 4.3.

Prepaid land rights, at a carrying amount of QR 128,576,000 previously reported under property, plant and equipment has been reclassified to other non-current assets.

These restatements and reclassifications have been made to improve the quality of information presented.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2012

**Interim condensed consolidated financial statements
As at and for nine months ended 30 September 2012**

CONTENTS	Page (s)
Independent auditors' report on review of interim condensed consolidated financial statements	1
Interim condensed consolidated financial statements	
Interim condensed consolidated income statement	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of financial position	4 - 5
Interim condensed consolidated statement of cash flows	6 - 7
Interim condensed consolidated statement of changes in equity	8 - 9
Notes to the interim condensed consolidated financial statements	10 - 28



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Independent auditors' report on review of interim condensed consolidated financial statements

To
The Board of Directors
Qatar Telecom (Qtel) Q.S.C.
Doha
State of Qatar

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Qatar Telecom (Qtel) Q.S.C. ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2012, and the interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, cash flows, changes in equity for the nine months period then ended, and explanatory notes (the "interim condensed consolidated financial statements"). The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

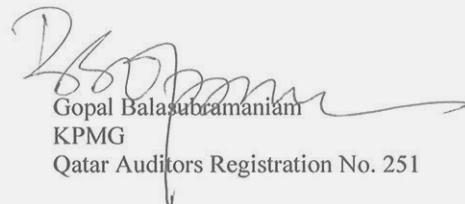
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*".

Emphasis of matter

Without qualifying our review conclusion above, we draw attention to Note 7 of the interim condensed consolidated financial statements regarding the transaction recognised for sale and lease back by one of the Group's subsidiaries PT Indosat TBK, which is subject to final assessment in accordance with International Accounting Standards 17, "Leases"

21 October 2012
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Qatar Auditors Registration No. 251

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2012

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2012	2011	2012	2011
		(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
		QR'000	QR'000 (Restated)	QR'000	QR'000 (Restated)
Revenue		8,633,497	8,126,950	25,020,058	23,572,987
Operating expenses		(2,853,431)	(2,506,124)	(7,772,555)	(7,024,663)
Selling, general and administrative expenses		(1,933,348)	(1,880,356)	(5,617,254)	(5,571,694)
Depreciation and amortisation	7,8	(2,029,912)	(1,761,393)	(5,606,414)	(5,145,369)
Finance costs – net		(435,301)	(447,992)	(1,440,704)	(1,383,924)
Impairment of assets and available-for-sale investments		(248,505)	(1,102)	(250,598)	(15,811)
Gain on previously held interest in an acquired subsidiary	4.5	-	-	-	1,442,831
Other income / (expense) – net		758,951	(123,728)	611,574	236,998
Share of results from associates	9	18,570	(10,825)	31,077	(43,389)
Royalties and fees	5	(82,997)	(71,855)	(257,832)	(260,385)
Net profit before income taxes		1,827,524	1,323,575	4,717,352	5,807,581
Income taxes	11	(204,186)	(256,489)	(719,958)	(764,595)
Net profit for the period		1,623,338	1,067,086	3,997,394	5,042,986
Attributable to:					
Shareholders of the Parent		1,068,789	616,229	2,420,907	2,149,339
Non-controlling interests		554,549	450,857	1,576,487	2,893,647
		1,623,338	1,067,086	3,997,394	5,042,986
Basic and diluted earnings per share					
(Attributable to shareholders of the Parent)	6	3.34	2.34	8.34	8.17
(Expressed in QR per share)					

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 30 September 2012

	<i>Note</i>	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
		<i>(Reviewed)</i>		<i>(Reviewed)</i>	
		<i>QR'000</i>	<i>QR'000 (Restated)</i>	<i>QR'000</i>	<i>QR'000 (Restated)</i>
Net profit for the period		<u>1,623,338</u>	<u>1,067,086</u>	<u>3,997,394</u>	<u>5,042,986</u>
Other comprehensive income					
Net changes in fair value of available- for-sale investments	15	137,993	(19,777)	85,648	(36,378)
Effective portion of changes in fair value of cash flow hedges	15	149,766	94,464	326,589	250,043
Share of other comprehensive income from associates	15	-	2,801	1,443	3,483
Exchange differences on translation of foreign operations	15	<u>(147,480)</u>	<u>(863,832)</u>	<u>(1,377,294)</u>	<u>564,245</u>
Other comprehensive income for the period		<u>140,279</u>	<u>(786,344)</u>	<u>(963,614)</u>	<u>781,393</u>
Total comprehensive income for the period		<u>1,763,617</u>	<u>280,742</u>	<u>3,033,780</u>	<u>5,824,379</u>
Attributable to:					
Shareholders of the parent		1,226,877	107,339	1,963,976	2,751,454
Non-controlling interests		536,740	173,403	1,069,804	3,072,925
Total comprehensive income for the period		<u>1,763,617</u>	<u>280,742</u>	<u>3,033,780</u>	<u>5,824,379</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2012

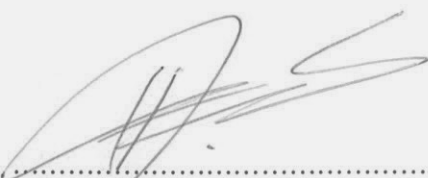
		30 September 2012 (Reviewed) QR'000	31 December 2011 (Audited) QR'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	7	31,202,116	33,065,098
Intangible assets	8	35,133,964	36,741,077
Investment in associates	9	1,716,997	1,591,341
Available-for-sale investments		2,573,372	2,189,939
Other non-current assets		1,075,789	910,238
Deferred tax asset		183,501	286,776
Total non-current assets		71,885,739	74,784,469
Current assets			
Inventories		382,170	342,550
Accounts receivable and prepayments		5,148,229	5,817,075
Bank balances and cash		16,383,116	21,249,832
Total current assets		21,913,515	27,409,457
TOTAL ASSETS		93,799,254	102,193,926
EQUITY			
Share capital	13	3,203,200	1,760,000
Legal reserve		12,434,282	6,494,137
Fair value reserve		1,053,693	672,843
Translation reserve		748,343	1,586,124
Other statutory reserves		706,036	706,036
Retained earnings		8,451,585	9,836,707
Attributable to shareholders of the Parent		26,597,139	21,055,847
Non-controlling interests		17,691,984	18,336,947
Total equity		44,289,123	39,392,794

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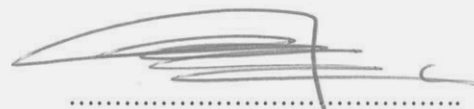
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

At 30 September 2012

	Note	30 September 2012 (Reviewed) QR'000	31 December 2011 (Audited) QR'000
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	14	26,563,487	31,932,297
Employees benefits		825,993	801,162
Deferred tax liability		1,555,084	1,637,849
Other non-current liabilities		<u>1,554,088</u>	<u>1,325,285</u>
Total non-current liabilities		<u>30,498,652</u>	<u>35,696,593</u>
Current liabilities			
Interest bearing loans and borrowings	14	6,815,421	13,850,738
Accounts payable and accruals		10,270,784	11,217,810
Deferred income		1,533,686	1,610,770
Income tax payable		<u>391,588</u>	<u>425,221</u>
Total current liabilities		<u>19,011,479</u>	<u>27,104,539</u>
Total liabilities		<u>49,510,131</u>	<u>62,801,132</u>
TOTAL EQUITY AND LIABILITIES		<u>93,799,254</u>	<u>102,193,926</u>



Abdullah Bin Mohamed Bin Saud Al-Thani
Chairman



Ali Shareef Al-Emadi
Deputy Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2012

	Note	<i>For the nine months ended 30 September</i>	
		2012	2011
		(Reviewed)	(Restated)
		QR'000	QR'000
OPERATING ACTIVITIES			
Net profit before income taxes		4,717,352	5,807,581
Adjustments for:			
Depreciation and amortisation	7,8	5,606,414	5,145,369
Dividend income		(71,001)	(25,951)
Impairment of assets and available-for-sale investments		250,598	15,811
Loss / (gain) on disposal of available-for-sale investments		1,257	(2,516)
(Gain) / loss on disposal of property, plant and equipment		(909,507)	13,578
Gain on previously held interest in an acquired subsidiary	4.5	-	(1,442,831)
Finance costs - (net)		1,440,704	1,383,924
Provision / (reversal) for employees' benefits		182,455	(515)
Share of results from associates	9	(31,077)	43,389
Operating profit before working capital changes		11,187,195	10,937,839
Working capital changes:			
Changes in inventories		(29,108)	(5,602)
Changes in accounts receivables and prepayments		670,503	(773,808)
Changes in accounts payables and accruals		(814,211)	651,023
Cash from operations		11,014,379	10,809,452
Finance costs paid		(1,760,192)	(1,634,392)
Employees' benefits paid		(137,266)	(35,623)
Income tax paid		(688,037)	(707,965)
Net cash from operating activities		8,428,884	8,431,472
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(4,229,183)	(4,668,852)
Purchase of intangible assets	8	(584,653)	(16,138)
Net cash outflows from acquisition of a subsidiary	4.1	(111,932)	(2,289,568)
Additional investment in associates		(380)	-
Purchase of available-for-sale investments		(115,830)	(134,862)
Proceeds from disposal of property, plant and equipment		1,174,830	210,471
Proceeds from disposal of available-for-sale investments		129,224	70,569
Movement in restricted deposits		(3,364)	(165,098)
Movement in other non-current assets		(165,551)	(42,760)
Dividend and interest received		494,255	540,937
Net cash used in investing activities		(3,412,584)	(6,495,301)

Continued.....

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the nine months ended 30 September 2012

		<i>For the nine months ended 30 September</i>	
		<i>2012</i>	<i>2011</i>
		<i>Reviewed</i>	
<i>Note</i>		<i>QR'000</i>	<i>QR'000 (Restated)</i>
FINANCING ACTIVITIES			
		6,855,345	-
		3,393,510	1,595,125
		(15,621,977)	(2,478,489)
		(3,707,575)	(1,063)
4.3,4.4		(53,857)	(14,039)
14		(528,000)	(330,000)
		(738,335)	(321,881)
		(21,932)	(9,895)
		228,803	(2,000,521)
		(10,194,018)	(3,560,763)
		(5,177,718)	(1,624,592)
		307,638	(249,768)
		21,050,888	25,557,920
		16,180,808	23,683,560

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012

	Attributable to shareholders of the Parent									
	Share capital	Legal reserve	Fair value reserve	Translation reserve	Other		Retained earnings	Total	Non – controlling interests	Total equity
					QR'000	QR'000				
QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
At 1 January 2012 (Audited)	1,760,000	6,494,137	672,843	1,586,124	706,036	9,836,707	21,055,847	18,336,947	39,392,794	
Profit for the period	-	-	-	-	-	2,420,907	2,420,907	1,576,487	3,997,394	
Other comprehensive income	-	-	380,850	(837,781)	-	-	(456,931)	(506,683)	(963,614)	
Total comprehensive income for the period	-	-	380,850	(837,781)	-	2,420,907	1,963,976	1,069,804	3,033,780	
Transactions with shareholders of the Parent, recognised directly in equity										
Dividends for 2011 (note 12)	-	-	-	-	-	(528,000)	(528,000)	-	(528,000)	
Rights shares issued (note 13)	915,200	5,940,145	-	-	-	-	6,855,345	-	6,855,345	
Bonus shares issued (note 13)	528,000	-	-	-	-	(528,000)	-	-	-	
Transactions with non-controlling interests, recognised directly in equity										
Recognition of non-controlling interests (note 4.1)	-	-	-	-	-	-	-	3,046	3,046	
Acquisition of non-controlling interests (Note 4.1)	-	-	-	-	-	(2,614)	(2,614)	2,614	-	
Acquisition of non-controlling interests (note 4.2)	-	-	-	-	-	(118,755)	(118,755)	118,755	-	
Acquisition of non-controlling interests (Note 4.3)	-	-	-	-	-	(2,623,679)	(2,623,679)	(1,077,706)	(3,701,385)	
Acquisition of non-controlling interests (Note 4.4)	-	-	-	-	-	(4,981)	(4,981)	(1,209)	(6,190)	
Dividends paid	-	-	-	-	-	-	-	(738,335)	(738,335)	
Other movements	-	-	-	-	-	-	-	(21,932)	(21,932)	
At 30 September 2012 (Reviewed)	3,203,200	12,434,282	1,053,693	748,343	706,036	8,451,585	26,597,139	17,691,984	44,289,123	

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2012

	<i>Attributable to shareholders of the Parent</i>						
	Share capital	Legal reserve	Fair value reserve	Translation reserve	Other statutory reserves	Retained earnings	Non – controlling interests
	QR '000	QR '000	QR '000	QR '000 (Restated)	QR '000	QR '000 (Restated)	QR '000 (Restated)
At 1 January 2011 (Audited)	1,466,667	6,494,137	49,996	1,780,473	404,580	8,834,207	15,196,832
Profit for the period (Restated- note 20.1)	-	-	-	-	-	2,149,339	2,893,647
Other comprehensive income	-	-	213,924	388,191	-	-	179,278
Total comprehensive income for the period	-	-	213,924	388,191	-	2,149,339	3,072,925
<i>Transactions with shareholders of the Parent, recognised directly in equity</i>							
Dividends for 2010 (note 12)	-	-	-	-	-	(733,333)	-
Bonus shares issued	293,333	-	-	-	-	(293,333)	-
<i>Transactions with non-controlling interest, recognised directly in equity</i>							
Recognition of non-controlling interests (Note 4.5)	-	-	-	-	-	-	388,695
Recognition of non-controlling interests share of PPA (Note 4.5)	-	-	-	-	-	-	518,631
Net dilution of Qtel holding in subsidiaries	-	-	-	-	-	9,535	(2,427)
Dividends paid	-	-	-	-	-	-	(321,881)
Other movements	-	-	-	-	-	-	(9,895)
At 30 September 2011 (Restated -reviewed)	1,760,000	6,494,137	263,920	2,168,664	404,580	9,966,415	18,842,880
							39,900,596

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

1 REPORTING ENTITY

Qatar Public Telecommunications Corporation (the “Corporation”) was formed on 29 June 1987 domiciled in the State of Qatar by Law No. 13 of 1987 to provide domestic and international telecommunication services within the State of Qatar. The Company’s registered office is located at 100 Westbay Tower, Doha, State of Qatar.

The Corporation was transformed into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. (the “Company”) on 25 November 1998, pursuant to Law No. 21 of 1998.

The Company is the telecommunications service provider licensed by the Supreme Council of Information and Communication Technology (ictQATAR) to provide both fixed and mobile telecommunications services in the state of Qatar. As a licensed service provider, the conduct and activities of Qtel are regulated by ictQATAR pursuant to Law No. 34 of 2006 (Telecommunications Law) and the Applicable Regulatory Framework.

The Company and its subsidiaries (together referred to as the “Group”) provides domestic and international telecommunication services in Qatar and elsewhere in the Asia and MENA region.

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2012 were authorised for issue by the Chairman and the Deputy Chairman of the Company on 21 October 2012.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended 30 September 2012 have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). The interim condensed consolidated financial statements for the nine months ended 30 September 2012 incorporates the results of the Company and its subsidiaries for the period then ended.

The interim condensed consolidated financial statements are prepared in Qatari Riyals, which is the Company’s functional and presentation currency and all values are rounded to the nearest thousands (QR’000) except when otherwise indicated.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2011. In addition, results for the nine months ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

4 BUSINESS COMBINATIONS

Acquisition of subsidiaries and non-controlling interests in 2012

4.1 Acquisition of a subsidiary

On 1st January 2012, the Group acquired through Raywood Inc. ("Raywood"), an effective 30% of the voting shares of Midya Telecom Company Limited ("MTCL"), a limited liability company incorporated in Iraq with the licence to provide telecommunication services. The acquisition has been accounted for using the purchase method of accounting. The cost of business combination amounted to QR 121,335 thousands with a resultant goodwill of QR 118,409 thousands. The net cash out flow on acquisition, net of cash acquired with the subsidiary of QR 9,403 thousands, amounted to QR 111,932 thousands.

The Group has the power to govern the financial and operating policies of MTCL by virtue of the shareholders agreement entered into between Raywood, M-Tel for General Trading Limited and MTCL to appoint a majority of (4 out of 7) of Board of Directors through Raywood and accordingly MTCL is considered as a subsidiary of the Group.

The initial accounting for the above acquisition is only provisional at the reporting date, as the fair value to be assigned to the acquiree's identifiable assets and liabilities could be determined only provisionally. The Group will recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date and with effect from the acquisition date.

Subsequent to the acquisition, in June 2012, the Group acquired the remaining shares in Raywood and as a result, Raywood has become a 100% subsidiary and the Group's effective interest in MTCL has increased from 30% to 49%. As a result of this change in ownership interest, the Group has recognised a decrease of QR 2,614 thousands in retained earnings. The consideration paid and effects of change in ownership interest were as follows:

	QR'000
Consideration paid for additional 19% interest	47,048
Less: payable to non controlling interest at Raywood	(47,048)
Net cash out flow for additional 19% interest	-
Less: share of net assets acquired	(2,614)
Consideration paid in excess of additional interest in carrying value of net assets	2,614

For the nine months period ended 30 September 2012, MTCL contributed revenue of QR 95,377 thousands and loss of QR 18,100 thousands to the Group's results.

4.2 Acquisition of non-controlling interests

In March 2012, the Group acquired the remaining 44.39% stake in Public Telecommunication Company Limited ("PTC") for a nominal consideration of QR 1 thereby increasing its ownership from 55.61% to 100%. The carrying amount of PTC's net assets on the date of acquisition was QR 226,200 thousands. As a result of this change in ownership interest, the Group recognised an increase in non-controlling interests and a decrease in retained earnings of QR 118,755 thousands respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

4 BUSINESS COMBINATIONS (CONTINUED)

Acquisition of subsidiaries and non-controlling interests in 2012 (continued)

4.3 Acquisition of non-controlling interests

In June 2012, the Group acquired remaining shares in Raywood and as a result, Raywood has become 100% subsidiary. Further, the Group acquired additional interest in Asiacell through its subsidiary, Al-Rowad General Services Limited, with this, the Group's effective interest has increased from 30% to 53.9%. The carrying amount of Asiacell's net assets in the Group's financial statements on the date of change in ownership interest was QR 1,352,889 thousands. As a result of this change in ownership interest, the Group recognised a decrease in non-controlling interest amounting to QR 1,077,706 thousands and a decrease in retained earnings amounting to QR 2,623,679 thousands.

The consideration paid and effects of change in ownership interest were as follows:

	QR'000
Consideration paid for additional 23.9% interest	3,925,118
Less: receivable from acquired additional interest	<u>(223,733)</u>
Net cash out flow for additional 23.9% interest	3,701,385
Less: share of net assets acquired	<u>(1,077,706)</u>
Consideration paid in excess of additional interest in carrying value of net assets	<u>2,623,679</u>

The Group is in the process of completing share transfer and the legal formalities in relation with additional shares acquired.

4.4 Acquisition of non-controlling interests

In July 2012, the Group acquired additional shares in Starlink Company W.L.L, with this, the Group's effective interest has increased from 60% to 72.5%. The carrying amount of Starlink's net assets in the Group's financial statements on the date of change in ownership interest was QR 9,670 thousands. As a result of this change in ownership interest, the Group recognised a decrease in non-controlling interest amounting to QR 1,209 thousands and a decrease in retained earnings amounting to QR 4,981 thousands.

The consideration paid and effects of change in ownership interest were as follows:

	QR'000
Consideration paid for additional 12.5% interest	6,190
Less: share of net assets acquired	<u>(1,209)</u>
Consideration paid in excess of additional interest in carrying value of net assets	<u>4,981</u>

Acquisition of subsidiaries and non-controlling interests in 2011

4.5 Step acquisition of Orascom Telecom Tunisie S.A. (Tunisiana)

On 4 January 2011 ("the acquisition date"), the Group acquired 25% additional shareholding interest in Tunisiana. As a result of the above, the Group's ownership and voting interests in Tunisiana, previously treated as a joint venture and accounted for under proportionate consolidation method, increased from 50% to 75%. Consequently, Tunisiana is fully consolidated within the Group's consolidated financial statements starting from the date control has been obtained.

Moreover, the Group re-measured its previously held interests in Tunisiana at fair value and recognised a revaluation gain of QR 1,442,831 thousand in the profit or loss for the year. The revaluation of previously held interests was based on the same price that was paid for the additional controlling interests acquired during the period, after adjusting for control premium.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months period ended 30 September 2012

4 BUSINESS COMBINATIONS (CONTINUED)

Acquisition of subsidiaries and non-controlling interests in 2011(continued)

4.5 Step acquisition of Orascom Telecom Tunisie S.A. (Tunisiana) (continued)

The management expects that taking control of Tunisiana will enable the Group in expanding its telecommunication activities and operations in the Tunisian market.

(a) Identifiable assets acquired and liabilities assumed, and resulting gain on previously held interest

The provisional fair values of the identifiable assets and liabilities of Tunisiana recognised as a result of the step acquisition were as follows:

	<i>Carrying amounts immediately prior to acquisition QR'000</i>	<i>Fair values adjustment QR'000</i>	<i>Fair values at the acquisition date QR'000</i>
Cash and bank balances	314,809	-	314,809
Trade and other receivables	387,846	-	387,846
Inventories	7,437	-	7,437
Property, plant and equipment	1,285,571	-	1,285,571
License costs	735,973	1,708,927	2,444,900
Customer contracts and related customer relationship	-	156,148	156,148
Trade names	-	203,884	203,884
Other intangibles	3,659	-	3,659
Deferred tax assets	46,255	-	46,255
Other non-current assets	49,992	-	49,992
Total fair value of acquired identifiable assets at the date of acquisition	<u>2,831,542</u>	<u>2,068,959</u>	<u>4,900,501</u>
Trade and other payables	967,295	-	967,295
Borrowings	280,856	-	280,856
Other non-current liabilities	24,455	-	24,455
Total fair value of assumed liabilities at the date of acquisition	<u>1,272,606</u>	<u>-</u>	<u>1,272,606</u>
Fair value of net identifiable assets at the date of acquisition	<u>1,558,936</u>	<u>2,068,959</u>	<u>3,627,895</u>
Fair value of previously held interest in an acquired subsidiary			4,369,802
Less: carrying value of previously held interest in an acquired subsidiary			<u>(2,926,971)</u>
Gain recognised on previously held interest in an acquired subsidiary			<u>1,442,831</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months period ended 30 September 2012

4 BUSINESS COMBINATIONS (CONTINUED)

4.5 Step acquisition of Orascom Telecom Tunisie S.A. (Tunisian) (continued)

(b) Goodwill resulting on the step acquisition

Goodwill has been recognised as a result of the acquisition as follows:

	QR'000
Acquisition cost	2,405,957
Non-controlling interest	907,326
Fair value of previously held interest in an acquired subsidiary	4,369,802
Sub-total	7,683,085
Less: provisional fair value of net identifiable assets at date of acquisition	(3,627,895)
Goodwill recognised at acquisition	4,055,190

(c) Cash outflow from the acquisition

	QR'000
Acquisition cost	(2,405,957)
Add: receivable from acquired subsidiary	(41,130)
Consideration paid	(2,447,087)
Less: cash acquired with the subsidiary	314,809
Add: derecognition of previously recorded cash under proportionate consolidation method	(157,290)
Net cash outflow from the acquisition	(2,289,568)

5 ROYALTIES AND FEES

	For the three months ended 30 September		For the nine months ended 30 September	
	2012	2011	2012	2011
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
	QR'000	QR'000	QR'000	QR'000
Royalty to the Govt. of Sultanate of Oman	33,473	29,417	92,087	87,690
Industry fees	46,042	37,306	140,722	128,144
Other statutory fees	3,482	5,132	25,023	44,551
	82,997	71,855	257,832	260,385

Royalties:

In accordance with the terms of a license granted to Omani Qatari Telecommunications Company S.A.O.G. to operate wireless telecommunication services in the Sultanate of Oman, royalty is payable to the Government of the Sultanate of Oman, effective from March 2005. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and operating expenses.

Industry fees:

In accordance with the Minister of Economy and Finance of the State of Qatar Decree in 2010, effective from 7 October 2007, the Group provides for a 12.5% industry fee on profits generated from the Group's operations in Qatar.

Other statutory fees:

Contributions by National Mobile Telecommunications Company K.S.C. to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat are included under other statutory fees.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to the shareholders of the parent by the weighted average number of shares outstanding during the period.

There were no potentially dilutive shares outstanding at any time during the period and, therefore, the dilutive earnings per share is equal to the basic earnings per share.

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
		<i>(Restated)</i>		<i>(Restated)</i>
Net profit for the period attributable to shareholders of the parent (QR'000)	1,068,789	616,229	2,420,907	2,149,339
Weighted average number of shares (000's)	320,320	263,120	290,259	263,120
Basic and diluted earnings per share (QR)	3.34	2.34	8.34	8.17

The weighted average number of shares has been calculated as follows:

Qualifying shares at 1 January (000's)	176,000	176,000	176,000	176,000
Effect of bonus share issue (000's)	52,800	52,800	52,800	52,800
Effect of right issue (000's)	91,520	34,320	61,459	34,320
Weighted average number of shares (000's)	320,320	263,120	290,259	263,120

During the current period, the Group issued bonus shares and had rights issue of shares. Accordingly, the previously reported earnings per share have been restated. If the effect of the bonus shares and right issue during the period was not considered on the earnings per share of the previous period, the basic earnings per share for the nine months and three months period ended 30 September 2011 would have been QR 12.21 and QR 3.5 per share respectively.

7 PROPERTY, PLANT AND EQUIPMENT

	<i>30 September</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Net book value at beginning of the period/year	33,065,098	32,172,984
Acquired through acquisition of a subsidiary	111,998	1,285,571
Derecognition of previously held interest in joint venture	-	(642,786)
Additions	4,229,183	6,574,857
Disposals (net)	(581,881)	(327,258)
Reclassifications to intangibles	(179,899)	(647,671)
Impairment made during the period/year	(54,295)	-
Depreciation for the period/year	(4,284,475)	(5,224,678)
Exchange adjustment	(1,103,613)	(125,921)
Net book value at the end of the period/year	31,202,116	33,065,098

During the period, one of the Group's subsidiaries PT Indosat TBK completed sale and leaseback transaction for its 2,500 telecommunication towers with another company in Indonesia for a total consideration of QR 1,478,449 thousands and recognised an overall gain of QR 837,545 thousands. The subsidiary is in the process of assessing final impact of the transaction in accordance with International Accounting Standards 17, "Leases"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

8 INTANGIBLE ASSETS

	<i>30 September 2012 (Reviewed) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Net book value at beginning of the period/year	36,741,077	33,279,183
Acquired through acquisition of a subsidiary	137,638	6,863,781
Derecognition of previously held interest in joint venture	-	(2,421,953)
Additions	584,653	302,713
Amortization for the period/year	(1,321,939)	(1,790,026)
Impairment during the period	(157,795)	-
Reclassification from property, plant and equipment	179,899	647,671
Exchange adjustment	(1,029,569)	(140,292)
Net book value at the end of the period/year	<u>35,133,964</u>	<u>36,741,077</u>

During the period, based on impairment testing, the Group has recorded an impairment in respect of certain assets in some of the subsidiaries.

9 INVESTMENT IN ASSOCIATES

The following table presents the summarised financial information of the Group's investments in the associates.

	<i>30 September 2012 (Reviewed) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Group's share in statement of financial position of associates:		
Current assets	910,540	537,805
Non-current assets	2,476,878	2,497,178
Current liabilities	(1,041,404)	(810,960)
Non-current liabilities	(1,957,209)	(1,859,649)
Net assets	388,805	364,374
Goodwill	1,328,192	1,226,967
Carrying amount of the investment	<u>1,716,997</u>	<u>1,591,341</u>

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Group's share in revenue and results of associates:				
Revenue	<u>444,332</u>	<u>437,403</u>	<u>1,331,257</u>	<u>1,288,925</u>
Results	<u>18,570</u>	<u>(10,825)</u>	<u>31,077</u>	<u>(43,389)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

10 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise of the following amounts:

	30 September 2012 (Reviewed) QR'000	30 September 2011 (Reviewed) QR'000
Bank balances and cash	16,383,116	23,864,695
Less: restricted deposits	(202,308)	(181,135)
Cash and cash equivalents as per statement of cash flows	<u>16,180,808</u>	<u>23,683,560</u>

11 INCOME TAXES

The income taxes represent amounts recognised by subsidiary companies.

The major components of income taxes for the period included in the interim condensed consolidated income statement are as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 (Reviewed) QR'000	2011 QR'000	2012 (Reviewed) QR'000	2011 QR'000
Current income tax:				
Current income tax charge	198,394	207,603	654,404	569,618
Deferred income tax:				
Relating to origination and reversal of temporary differences	5,792	48,886	65,554	194,977
Income tax	<u>204,186</u>	<u>256,489</u>	<u>719,958</u>	<u>764,595</u>

12 DIVIDENDS

Dividends:

	For the nine months ended 30 September	
	2012 (Reviewed) QR'000	2011 QR'000
Declared and approved at the Annual General Meeting :		
Final dividend for 2011- QR 3 per share (2010: QR 5 per share)	<u>528,000</u>	<u>733,333</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months period ended 30 September 2012

13 SHARE CAPITAL

	<i>30 September 2012 (Reviewed) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Authorised		
<i>Ordinary shares of QR 10 each</i>		
At 1 January	2,000,000	2,000,000
Increase in authorised share capital	<u>3,000,000</u>	<u>-</u>
At 30 September 2012	<u><u>5,000,000</u></u>	<u><u>2,000,000</u></u>
Issued and fully paid up		
<i>Ordinary shares of QR 10 each</i>		
At 1 January	1,760,000	1,466,667
Bonus shares issued	528,000	293,333
Right shares issued	<u>915,200</u>	<u>-</u>
At 30 September 2012	<u><u>3,203,200</u></u>	<u><u>1,760,000</u></u>

Authorised share capital:

The shareholders resolved at the Annual General Meeting held on 25 March 2012 to increase the authorised share capital by QR 3,000,000 thousands by the creation of 300,000,000 ordinary shares of QR 10 each.

Bonus shares:

The Group issued bonus shares of 30% (2010: 20%) of the share capital as at 31 December 2011 amounting to QR 528,000 thousands (2010: QR 293,333 thousands).

Right shares:

Subsequent to the Annual General Meeting, the Board of Directors of the Company called for a rights issue of 91,520 thousand shares in the ratio of two shares for every five shares held. The shares were offered at a premium of QR 65 per share on 13 May 2012 and the allotment was made on 24 June 2012. The share premium arising out of the rights issue, net of rights issue expenses amounting to QR 5,940,145 is included in legal reserve as required by Article 154 of Qatar Commercial Companies Law No: 5 of 2002.

14 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 September 2012 (Reviewed) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Interest bearing loans and borrowings	33,771,450	46,246,399
Less: deferred financing costs	<u>(392,542)</u>	<u>(463,364)</u>
	<u><u>33,378,908</u></u>	<u><u>45,783,035</u></u>
Presented in the interim condensed consolidated statement of financial position as follows:		
Non-current liabilities	26,563,487	31,932,297
Current liabilities	<u>6,815,421</u>	<u>13,850,738</u>
	<u><u>33,378,908</u></u>	<u><u>45,783,035</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

14 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

The deferred financing costs consist of arrangement and commitment fees. The movement in deferred financing costs was as follows:

	<i>30 September 2012 (Reviewed) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
At 1 January	463,364	590,522
Additions during the period / year	53,857	24,096
Amortised during the period / year	(117,728)	(150,761)
Exchange adjustment	(6,951)	(493)
	<u>392,542</u>	<u>463,364</u>

The following are major new loan facilities entered into during the period:

Facility/ net drawn amount	Maturity	Interest rate	Description of the facility
<i>National Mobile Telecommunications Company K.S.C. (Wataniya)</i>			
QR 326 million	June 2019	LIBOR plus 5% p.a.	Repayment of the existing syndicated loan and to finance the build out of its mobile network and the expansion of its existing network.
<i>PT Indosat Tbk and its subsidiaries (Indosat)</i>			
QR 461 million	June 2019	Fixed rate of 8.625% p.a.	Series A Notes (fixed rate bonds) of USD 126.58 million issued for general corporate purposes.
QR 576 million	June 2022	Fixed rate of 8.875% p.a.	Series B Notes (fixed rate bonds) of USD 158.23 million issued for general corporate purposes.
QR 116 million	June 2019	Annual Ijarah payment of QR 9.94 million	Indosat V 2012 Sukuk Ijarah of USD 31.86 million for general corporate purposes.
<i>Asiacell Communication PJSC (Asiacell)</i>			
QR 728 million	June 2015	LIBOR plus 1.75% p.a.	The USD 200 million facility was used for repayment of loan, outstanding dues and general corporate purposes.

During the period, the Group settled commercial loan and related interest rate swaps amounting to QR 10,924,500 thousands (USD 3,000,000 thousands) and QR 149,766 thousands respectively using existing cash resource.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months period ended 30 September 2012

15 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
		<i>Restated</i>		<i>Restated</i>
<i>Fair value reserve - available-for-sale investments :</i>				
Net change in fair value	137,583	(22,027)	82,298	(49,673)
Net change in fair value reclassified to profit or loss	410	1,148	1,257	(2,516)
Impairment loss transferred to profit or loss	-	1,102	2,093	15,811
	137,993	(19,777)	85,648	(36,378)
<i>Fair value reserve - cash flow hedges :</i>				
Effective portion of changes in fair value	149,785	94,607	326,686	252,210
Income tax effect	-	(490)	(379)	(1,453)
Net change in fair value reclassified to profit or loss	(19)	347	282	(714)
	149,766	94,464	326,589	250,043
<i>Associates :</i>				
Share of changes in fair value of cash flow hedges	-	2,801	1,443	3,483
<i>Translation reserve:</i>				
Foreign currency translation differences - foreign operations	(147,480)	(863,832)	(1,377,294)	564,245

16 COMMITMENTS

Capital expenditure commitments

	<i>30 September 2012</i>	<i>31 December 2011</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Property, plant and equipment		
Estimated capital expenditure contracted for at reporting date but not provided for:	2,209,373	2,332,682

Intangible assets

For the acquisition of Palestine Mobile license	581,381	575,558

Operating lease commitments

Future minimum lease payments:

Not later than one year	201,507	208,731
Later than one year and not later than five years	494,966	489,708
Later than five years	221,871	248,370
	918,344	946,809

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

17 CONTINGENT LIABILITIES

	<i>30 September 2012 (Reviewed) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Letters of guarantee	<u>380,146</u>	<u>532,770</u>
Letters of credit	<u>98,833</u>	<u>17,213</u>
Claims against the Group not acknowledged as debts	<u>2,675</u>	<u>43,386</u>

Tax demand notice for additional tax liability

In April 2012, one of the Group's subsidiaries, Asiacell Communication PJSC ("ACL") was issued a tax demand notice amounting to QR 239,104 thousands (equivalent to US\$ 65.7 million) by the General Commission for Taxes, Iraq for the years 2004, 2005, 2006 and 2007. In accordance with tax regulations in Iraq, ACL had paid 25% of the tax demand amount which is recorded in the interim condensed consolidated financial statements as income tax paid in advance.

Further, in May 2012, the General Commission for taxes also issued the tax demand notice to ACL for employees' income tax amounting to QR 52,092 thousands (equivalent USD 14.3 million) for the years 2003, 2004, 2005,2006 and 2007.

ACL is currently in the process of discussing the tax demand notices with the tax authorities in Iraq and the management is of the view that the company has strong grounds to challenge the tax demand claim and accordingly no provision has been made for the liability in these interim condensed consolidated financial statements.

18 RELATED PARTY DISCLOSURES

Related party transactions and balances

Related parties represent associated companies including Government and semi Government agencies, associates, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. In the ordinary course of business the Group enters into transactions with related parties. Pricing policies and terms of transactions are approved by the Group's management. The Group enters into commercial transactions with Government related entities in the ordinary course of business in terms of providing telecommunication services, placement of deposits and obtaining credit facilities etc.

Compensation of key management personnel

Key management personnel comprise the Board of Directors and the key members of management having authority and responsibility of planning, directing and controlling the activities of the Group.

The compensation and benefits related to Board of Directors and key management personnel amounted to QR 36,955 thousands for the three months ended 30 September 2012 (For the three months ended 30 September 2011: QR 24,814 thousands) and QR 117,699 thousands for the nine months ended 30 September 2012 (For the nine months ended 30 September 2011: QR 89,242 thousands) and end of service benefits amounted to QR 8,396 thousands for the three months ended 30 September 2012 (For the three months ended 30 September 2011: QR 8,522 thousand) and QR 18,419 thousands for the nine months ended 30 September 2012 (For the nine months ended 30 September 2011: QR 39,335 thousands). The remuneration to the Board of Directors and key management personnel has been included under the caption "Selling, general and administrative expenses".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

19 SEGMENT INFORMATION

For management reporting purposes, the Group is organised into business units based on their geographical area covered, and has five reportable segments as follows:

1. Qtel is a provider of domestic and international telecommunication services within the State of Qatar.
2. Asiacell is a provider of mobile telecommunication services in Iraq.
3. Wataniya is a provider of cellular mobile telecommunication services in Kuwait and elsewhere in the Middle East and North African (MENA) region.
4. Indosat is a provider of telecommunication services such as cellular services, fixed telecommunications, multimedia, data communication and internet services in Indonesia.
5. Nawras is provider of mobile telecommunication services in Oman and has been awarded a license to operate fixed telecommunication services.
6. Others include some of the Group's subsidiaries which are providers of wireless and telecommunication services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of these segments. Transfer pricing between reportable segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

19 SEGMENT INFORMATION (CONTINUED)

Reportable segments

The following tables present revenue and profit information regarding the Group's reportable segments for the period ended 30 September 2012 and 2011:

For the three months ended 30 September 2012 (Reviewed)

	Qtel QR'000	Asiacell QR'000	Wataniya QR'000	Indosat QR'000	Nawras QR'000	Others QR'000	Adjustments and Eliminations QR'000	Total QR'000
Revenue								
Third party	1,552,293	1,702,647	2,437,828	2,341,451	460,378	138,900	-	8,633,497
Inter-segment	23,546	10,476	40,078	7,291	1,837	28,554	(111,782) ⁽ⁱ⁾	-
Total revenue	1,575,839	1,713,123	2,477,906	2,348,742	462,215	167,454	(111,782)	8,633,497
Results								
Segment profit before tax	427,631	592,268	573,450	686,313	89,511	(211,247)	(330,402) ⁽ⁱⁱ⁾	1,827,524
Depreciation and amortisation	170,958	239,426	402,911	934,197	74,376	35,437	172,607 ⁽ⁱⁱⁱ⁾	2,029,912
Finance costs (net)	5,106	10,856	14,915	190,630	3,175	210,619	-	435,301

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

19 SEGMENT INFORMATION (CONTINUED)

For the three months ended 30 September 2011 (Reviewed)

	<i>Qtel</i> <i>QR '000</i>	<i>Asiacell</i> <i>QR '000</i>	<i>Wataniya</i> <i>QR '000</i>	<i>Indosat</i> <i>QR '000</i>	<i>Nawras</i> <i>QR '000</i>	<i>Others</i> <i>QR '000</i>	<i>Adjustments and</i> <i>Eliminations</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
Revenue								
Third party	1,350,389	1,482,201	2,492,146	2,242,480	482,844	76,890	-	8,126,950
Inter-segment	31,447	17,894	25,251	7,472	2,021	49,916	(134,001) ⁽ⁱ⁾	-
Total revenue	<u>1,381,836</u>	<u>1,500,095</u>	<u>2,517,397</u>	<u>2,249,952</u>	<u>484,865</u>	<u>126,806</u>	<u>(134,001)</u>	<u>8,126,950</u>
Results								
Segment profit before tax	<u>307,481</u>	<u>431,390</u>	<u>538,421</u>	<u>191,976</u>	<u>158,691</u>	<u>(140,903)</u>	<u>(163,481) ⁽ⁱⁱ⁾</u>	<u>1,323,575</u>
Depreciation and amortisation	<u>158,091</u>	<u>204,693</u>	<u>389,738</u>	<u>754,396</u>	<u>65,140</u>	<u>25,854</u>	<u>163,481 ⁽ⁱⁱⁱ⁾</u>	<u>1,761,393</u>
Finance costs (net)	<u>5,809</u>	<u>19,116</u>	<u>18,711</u>	<u>179,968</u>	<u>7,512</u>	<u>216,876</u>	<u>-</u>	<u>447,992</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

19 SEGMENT INFORMATION (CONTINUED)

For the nine months ended 30 September 2012 (Reviewed)

	Qtel QR'000	Asiacell QR'000	Wataniya QR'000	Indosat QR'000	Nawras QR'000	Others QR'000	Adjustments and Eliminations QR'000	Total QR'000
Revenue								
Third party	4,570,485	5,002,698	7,210,098	6,423,534	1,395,468	417,775	-	25,020,058
Inter-segment	74,116	37,836	99,404	21,167	5,594	86,684	(324,801) (i)	-
Total revenue	<u>4,644,601</u>	<u>5,040,534</u>	<u>7,309,502</u>	<u>6,444,701</u>	<u>1,401,062</u>	<u>504,459</u>	<u>(324,801)</u>	<u>25,020,058</u>
Results								
Segment profit before tax	<u>1,283,429</u>	<u>1,806,711</u>	<u>1,675,555</u>	<u>777,369</u>	<u>328,866</u>	<u>(478,816)</u>	<u>(675,762) (ii)</u>	<u>4,717,352</u>
Depreciation and amortisation	<u>506,972</u>	<u>696,457</u>	<u>1,212,294</u>	<u>2,338,526</u>	<u>224,955</u>	<u>109,243</u>	<u>517,967 (iii)</u>	<u>5,606,414</u>
Finance costs (net)	<u>79,746</u>	<u>45,850</u>	<u>42,169</u>	<u>627,078</u>	<u>9,711</u>	<u>636,150</u>	<u>-</u>	<u>1,440,704</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

19 SEGMENT INFORMATION (CONTINUED)

For the nine months ended 30 September 2011 (Reviewed)

	<i>Qtel</i> QR'000	<i>Asiacell</i> QR'000	<i>Wataniya</i> QR'000	<i>Indosat</i> QR'000	<i>Nawras</i> QR'000	<i>Others</i> QR'000	<i>Adjustments and eliminations</i> QR'000	<i>Total</i> QR'000
Revenue								
Third party	4,159,509	4,275,965	7,073,002	6,419,115	1,433,830	211,566	-	23,572,987
Inter-segment	84,606	54,989	90,979	18,520	4,799	159,381	(413,274)	-
Total revenue	<u>4,244,115</u>	<u>4,330,954</u>	<u>7,163,981</u>	<u>6,437,635</u>	<u>1,438,629</u>	<u>370,947</u>	<u>(413,274)</u>	<u>23,572,987</u>
Results								
Segment profit before tax (restated)	<u>1,168,161</u>	<u>1,365,980</u>	<u>3,176,592</u>	<u>607,344</u>	<u>425,385</u>	<u>(454,839)</u>	<u>(481,042)</u>	<u>5,807,581</u>
Depreciation and amortisation(restated)	<u>462,568</u>	<u>600,076</u>	<u>1,184,425</u>	<u>2,158,843</u>	<u>191,222</u>	<u>67,193</u>	<u>481,042</u>	<u>5,145,369</u>
Finance costs (net)	<u>11,654</u>	<u>68,115</u>	<u>79,048</u>	<u>549,797</u>	<u>23,900</u>	<u>651,410</u>	<u>-</u>	<u>1,383,924</u>

Notes:

- Inter-segment revenues are eliminated on consolidation.
- Segment profit before tax does not include the following::

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	QR'000	QR'000	QR'000	QR'000
Amortisation of intangibles	(172,607)	(163,481)	(517,967)	(481,042)
Impairment of intangibles	(157,795)	-	(157,795)	-
	<u>(330,402)</u>	<u>(163,481)</u>	<u>(675,762)</u>	<u>(481,042)</u>

- Amortisation relating to additional intangibles identified from business combination was not considered as part of segment expense.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

19 SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets of the Group's operating segments as at 30 September 2012 and 31 December 2011.

	<i>Qtel</i> <i>QR'000</i>	<i>Asiacell</i> <i>QR'000</i>	<i>Wataniya</i> <i>QR'000</i>	<i>Indosat</i> <i>QR'000</i>	<i>Nawras</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Adjustments and eliminations</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Segment assets (i)								
At 30 September 2012 (Reviewed)	19,753,754	8,253,692	25,659,572	22,514,208	2,484,957	2,829,941	12,303,130	93,799,254
At 31 December 2011 (Audited)	27,427,866	8,004,974	26,002,367	23,937,514	2,832,775	1,264,948	12,723,482	102,193,926
Capital expenditure (ii)								
At 30 September 2012 (Reviewed)	378,387	621,424	1,841,299	1,725,284	196,047	51,395	-	4,813,836
At 31 December 2011 (Audited)	1,129,661	989,096	1,847,196	2,451,670	386,877	73,070	-	6,877,570

Notes:

- (i) Goodwill amounting to QR 12,303,130 thousands (31 December 2011: QR 12,723,482 thousands) was not considered as part of segment assets as goodwill is managed on a group basis.
- (ii) Capital expenditure consists of additions to property, plant and equipment and intangibles excluding goodwill and assets from business combinations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 30 September 2012

20 COMPARATIVE INFORMATION

(i) Restatement of comparative information

In relation to the acquisition of Tunisiana S.A. by National Mobile Telecommunication Company K.S.C (“Wataniya”), the Group finalized its purchase price allocation in December 2011. Consequently the provisional amortisation of PPA intangibles and related net profit for the nine months period ended 30 September 2011 has been restated as follows:

	<i>As reported</i>	<i>Restatement impact</i>	<i>As restated</i>
	QR’000	QR’000	QR’000
<i>Interim condensed consolidated income statement</i>			
Depreciation and amortisation	5,518,024	(372,655)	5,145,369
Net profit for the period	4,670,331	372,655	5,042,986
Net profit attributable to:			
Shareholders of the Parent	2,002,593	146,746	2,149,339
Non-controlling interests	2,667,738	225,909	2,893,647

(ii) Reclassification of comparative information

Certain comparative figures have been reclassified to conform to the presentation in the current period’s interim condensed consolidated financial statements. However, such reclassifications did not have any effect on the net profit, total assets and equity of the comparative period.

21 EVENTS AFTER THE REPORTING DATE

Following the approval of the Kuwait Capital Markets Authority (the “Regulator” or “CMA”) in August 2012, the Group submitted a mandatory tender offer (the “Offer”) pursuant to Article 271 of the Executive Regulations to Law No. 7 of 2010 establishing the Capital Markets Authority and regulating the securities activities, to acquire the whole (47.5%) of non-controlling interests in one of its subsidiaries, National Mobile Telecommunications Company K.S.C. (“NMTC” or “Wataniya”). The Offer was open for acceptance from 4 September 2012 to 4 October 2012.

As of the reporting date, 33.07% of non-controlling shareholders have accepted the offer. On 4 October 2012 i.e. the closing date of the offer, total 39.61% of non-controlling shareholders accepted the offer. As per the timetable stated in the offer document, the share transfers, transfer of consideration and other legal formalities are in the process of being completed. The execution of the transaction on the Kuwait Stock Exchange is expected to be completed on 22 October 2012. With this, the Group will increase its shareholding interest in NMTC from 52.5% to 92.1%.

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