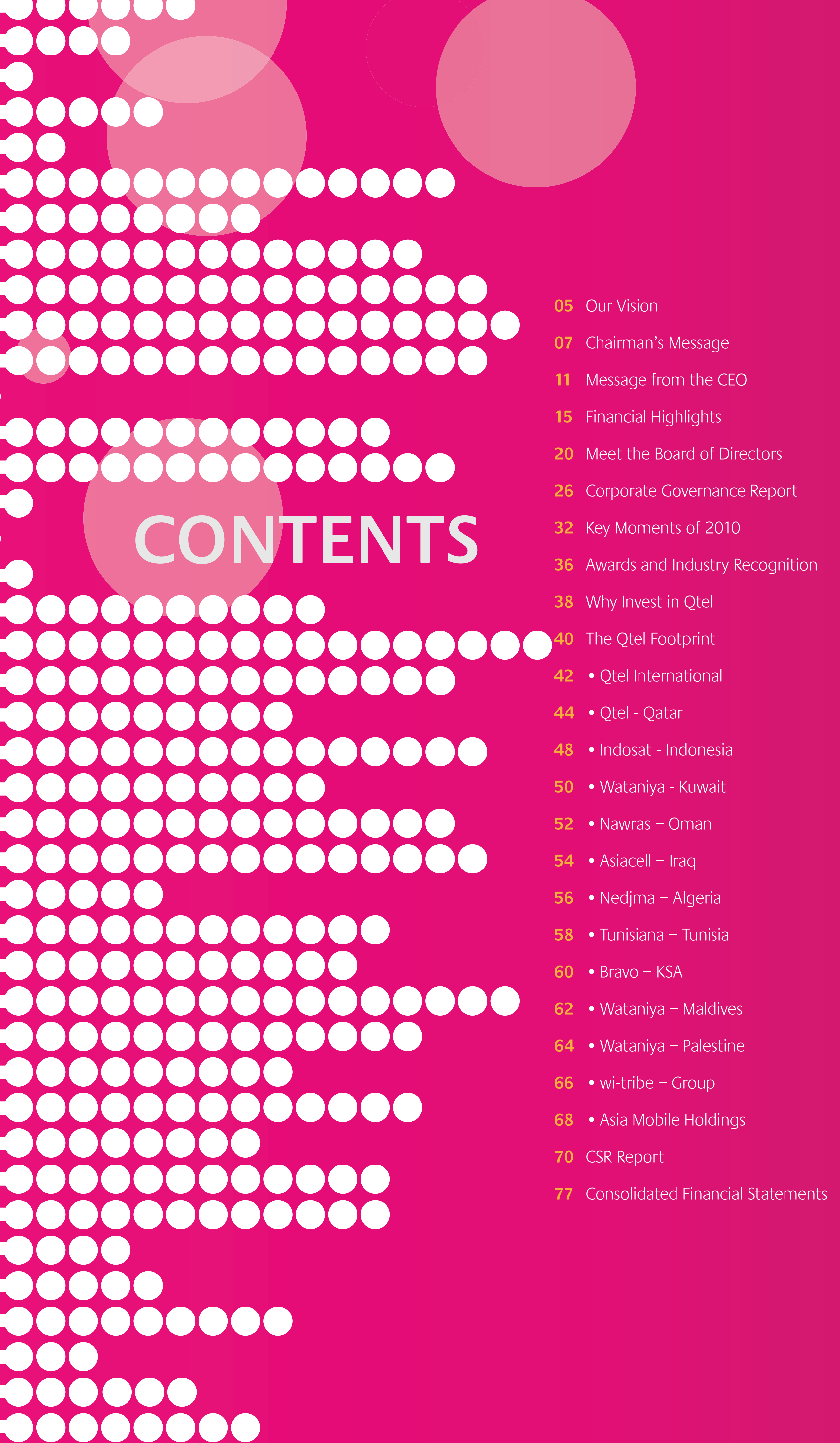
Qtel Annual Report 2010

FUEL YOUR **SENSES**



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IN THE NAME OF

ALLAH

MOST GRACIOUS
MOST MERCIFUL

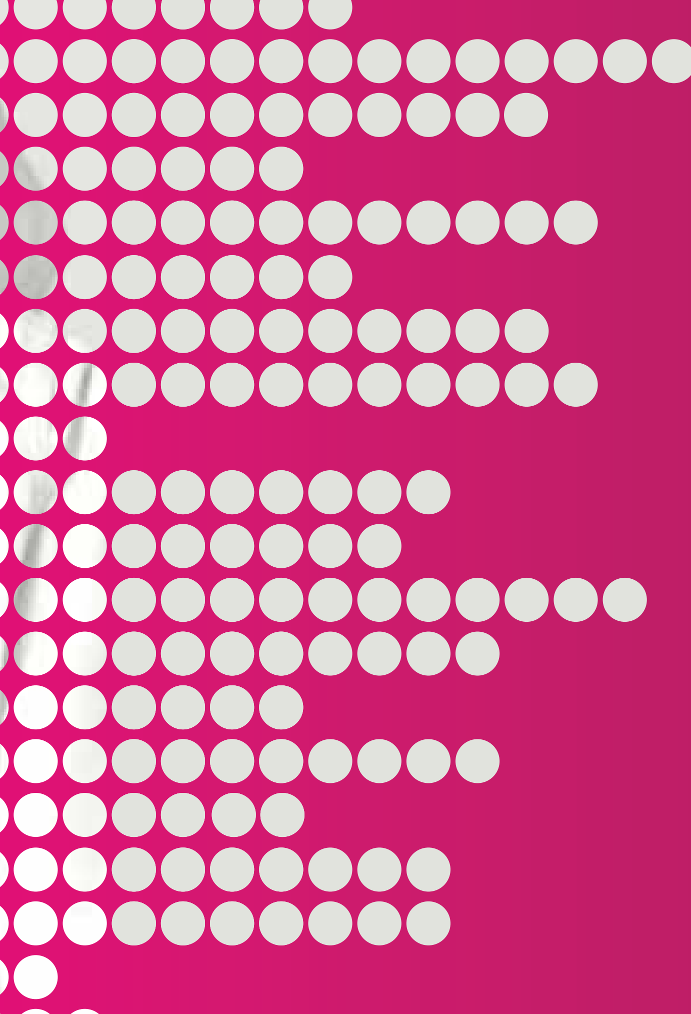
His Highness
Sheikh Hamad Bin Khalifa Al Thani
Emir of the State of Qatar

His Highness
Sheikh Tamim Bin Hamad Al Thani
Heir Apparent

OUR VISION

"To be among the top 20 telecommunications companies in the world by 2020."

CHAIRMAN'S MESSAGE



Dear Shareholders,

In many ways, 2010 was a landmark year for Qtel and for Qatar. With the world economy steadily recovering, Qatar's pace of development accelerated ahead of global trends, and increasingly positioned our nation as an international pioneer. The world even had the chance to watch as Qatar made history, being named the first country in the Middle East to host the FIFA World Cup in 2022.

As a flagship company for Qatar, Qtel is proud to have made a contribution to the global profile of our nation. Over the last five years, we have been one of the most ambitious Qatari companies in terms of overseas investment, growing our operations to have a presence in seventeen countries. This strategy of diversification has had an important impact on our revenue profile and our professional and financial resources.

We have also made major investments in the technological infrastructure across our markets. All this has been accomplished through our prudent approach to investment – we have carefully evaluated every step, and looked to minimise risk and maximise returns for our shareholders.

After a sustained successful initial investment phase, we believe that the foundations are now in place to take us to the next level as a company, where we can use our international presence to build a truly global business. So it is with a strong sense of confidence for the future that I offer this overview of Qtel's performance to you on behalf of the Board of Directors.

CHAIRMAN'S MESSAGE (CONTINUED)

The group has continued to make significant operational and financial progress throughout 2010. Consolidated revenue has increased this year by 13.1 percent to QAR 27.2 billion (FY 2009: QAR 24.0 billion).

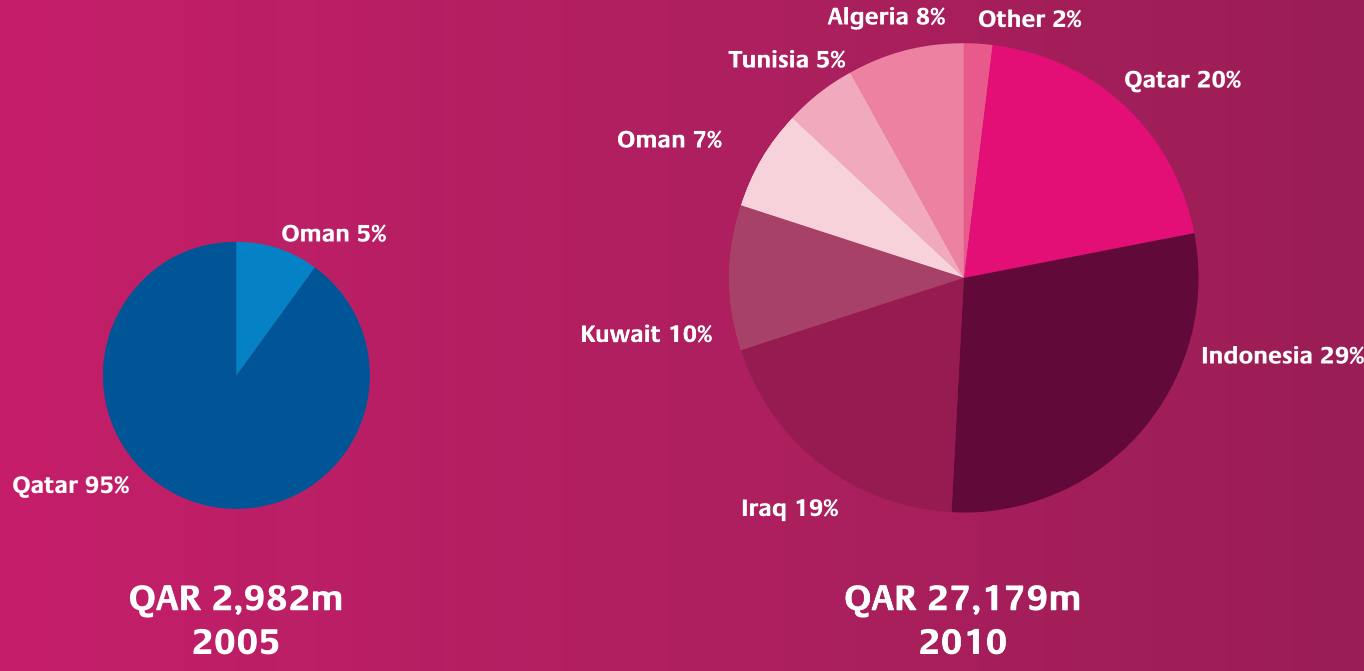
In the same period, net profit attributable to shareholders also grew, increasing 2.2 percent to QAR 2.9 billion (FY 2009: QAR 2.8 billion) and at 31 December 2010, the Group's consolidated customer base stood at 74.1 million (2009: 60.4 million).

EBITDA performance in 2010 was healthy, increasing 11.0 percent over the year to QAR 12.5 billion (FY 2009: QAR 11.2 billion). EBITDA margin remained resilient during the period, standing at 46 percent (FY 2009: 47 percent).

At Qtel, we have set ourselves the vision of becoming one of the top 20 telecommunications companies by 2020. In many ways, 2010 marked a new chapter in our growth story.

Qtel now generates more than 80 percent of its revenue outside of Qatar, and this trend will continue. The benefits of our diversification strategy are evident: it has allowed Qtel to continue to enjoy solid growth as a

QTEL GROUP EVOLUTION – REVENUE 2005-2010



QAR 2,982m
2005

QAR 27,179m
2010

Group even during challenging global economic times or challenging conditions within some markets. In turn, this international expansion has delivered significant returns for our stakeholders. Over the past five years, Earnings per Share have grown from QAR 11.90 in 2005 to QAR 19.69 today.

Qtel is also focused on the most important part of our business, our people. Within each of our operations we believe that the continuing development of local talent is critical. In Qatar, Qtel has continued to focus on the training and development of young Qatari leaders as well as career acceleration for high-potential staff.

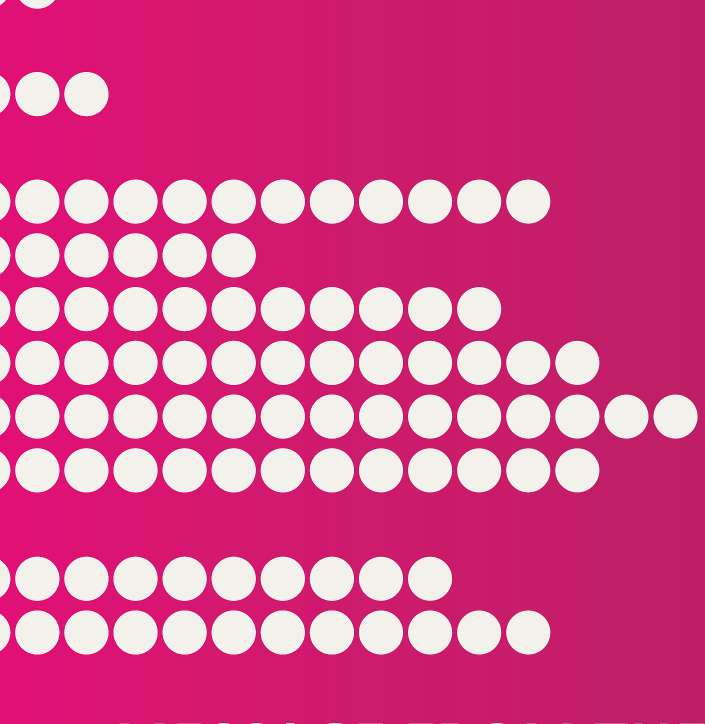
In turn, we are looking to use our enhanced position to deliver better services and greater choice for all our customers. The Qtel Group is working with global partners and players to develop and offer a wide range of services, including social networking, mobile entertainment and mobile money, which will have an important and positive impact on our revenue growth.

Recognising the importance of delivering the benefits of growth for all our shareholders, the Board of Directors is pleased to recommend to the General Assembly the distribution of a cash dividend of 50 percent of the nominal share value (QAR 5.0 per share) and bonus shares of 20 percent of share capital (1 share for every 5 shares).

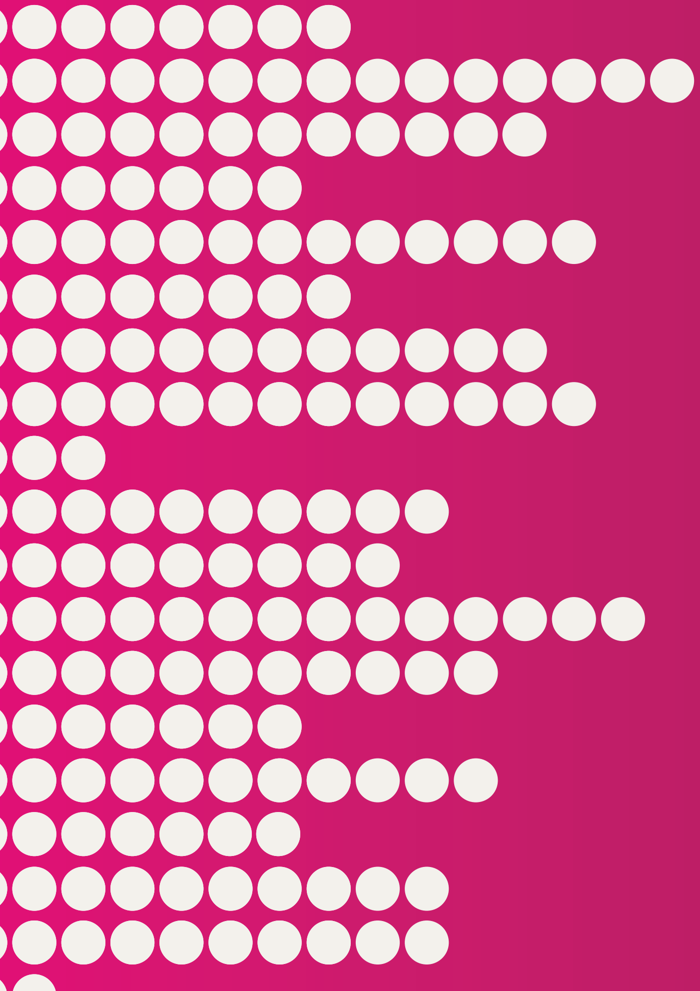
We will also ensure that our success has a social impact. The Qtel Group has continued to invest in the local communities of all the countries we operate in, through a wide range of charitable and local investment projects.

I will close by offering thanks for the support and guidance of His Highness Sheikh Hamad Bin Khalifa Al Thani, the Emir of the State of Qatar, and His Highness Sheikh Tamim Bin Hamad Al Thani, the Heir Apparent. In 2010, the year when Qatar was named as the host for the 2022 World Cup, the global community gained an insight into a truth that the people of Qatar have known for a long time – that with our inspired leadership and the support of the community, Qatar can achieve truly great things.

Abdullah Bin Mohammed Bin Saud Al Thani
CHAIRMAN
1 March 2011



MESSAGE FROM THE CEO



Dear Shareholders,

These are exciting times at Qtel. The significant economic challenges and technological changes affecting our businesses simultaneously require us to be increasingly prudent with our management and offer new opportunities for innovation and growth. We are therefore pleased in 2010 to have delivered strong results to our shareholders, while rolling out improvements in our existing services and developing new services to delight and satisfy our customers.

In 2010 we saw a series of major changes in our industry, with the growth of data communications, and especially fixed and mobile Internet communication, continuing to soar. The expansion of broadband is at the early stages, especially in the many emerging markets that we serve. This has major implications for Qtel across its organisation: networks need to be adapted, new service offerings need to be developed and deployed, and our people need to be oriented and trained.

The explanation for our optimism about the future is threefold. Firstly, we are transforming our company to prepare for coming years; secondly, we are confident that our in-market strategy will position us well to capture the highest-growth opportunities of the world's emerging economies; and thirdly, our business model has been honed to generate strong profits and cash, giving us the financial flexibility to invest for future growth. We have realised positive growth in emerging markets like Indonesia, Iraq, Tunisia and Algeria, while realising continued value from established markets like Qatar and Kuwait.

MESSAGE FROM THE CEO
(CONTINUED)

In 2009 we took steps to position Qtel in important ways for the future by enhancing our core business and investing in new and emerging growth areas. In Oman, Nawras began to offer fixed line services in 2010 to complement our market-leading mobile services, while in Qatar, roll-out of the nationwide Fibre-to-the-Home services will ensure our ability to meet and exceed the growing demand for broadband and entertainment services.

In our core business, we took steps to align and integrate all technology capabilities into a new technology growth platform to provide customers with fully-integrated solutions across our footprints. At the same time, we are enhancing and expanding our capabilities around several defining areas that show potential for growth and profits, including digital services, social media and mobility. We will continue to invest in assets and innovations that will set Qtel ahead of its competitors.

We have signed a number of key frame agreements that will enable our operating companies to save on infrastructure costs, freeing up resources for launching a number of group-wide services. This approach to shared synergies is complemented by a developing culture of group innovation, where knowledge-sharing and the exchange of expertise are enabling us to focus on areas other than voice.

Primary among these is broadband, for both the consumer and corporate segments. Across our markets, in Asia, the Middle East and North Africa, the impressive

QTEL GROUP EVOLUTION FROM 2005 TO 2010

(QAR millions)	2005	2010	% change
Revenue	2,982	**27,179**	↑ 811%
EBITDA	1,744	**12,465**	↑ 615%
Net profit attributable to Qtel Shareholders[1]	1,190	**2,888**	↑ 143%
Total customers	1,166	**74,140**	↑ 6,258%
Wireless[2] (000's)	961	**73,149**	↑ 7,512%
Fixed line[3] (000's)	205	**991**	↑ 383%
Enterprise value[4]	21,043	**73,062**	↑ 247%

Notes:

1) Profits from Nawras IPO of QAR 557 million have been taken directly to retained earnings in 2010
2) Includes wireless broadband
3) Includes fixed wireless
4) Enterprise value = Market capitalisation + debts

growth in broadband is compelling, and we are setting our priorities accordingly.

To support our market-focused targets, we have worked hard to put the right financial structure in place, with the successful closure of our dual tranche revolving credit facility and bond issuances as well as two successful IPOs for our operations in Palestine and Oman.

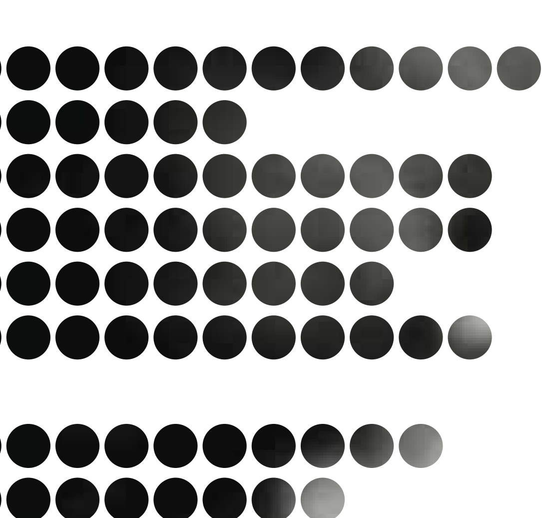
Finally, we intend to continue to promote both in-house and partner-led innovation to capitalise on new growth opportunities at a group level. These are but a few of the many actions we have taken to position Qtel for the future.

Only by putting our customers first will we generate value for them and our shareholders.

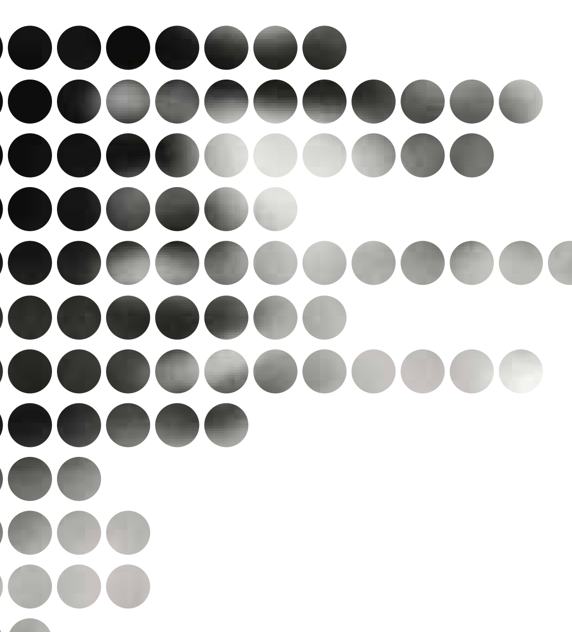
To ensure that our people have the necessary skills to serve our customers and become fulfilled in their own careers, we are investing in their training and professional development. Through our corporate training, we aim to ensure that our people learn to play a leadership role, delivering real value to our customers and to the communities that we serve. Another fundamental part of Qtel's character is our belief that a genuine social contribution is a hallmark of a high-performance business.

As always, I am deeply appreciative of the dedication of our employees, executive team, and board of directors and of the support and confidence of our shareholders and the investment community. I am grateful to our customers for continued support. We are excited about the future of Qtel, and we hope you are, too.

Dr. Nasser Marafih
Chief Executive Officer
1 March 2011



FINANCIAL HIGHLIGHTS



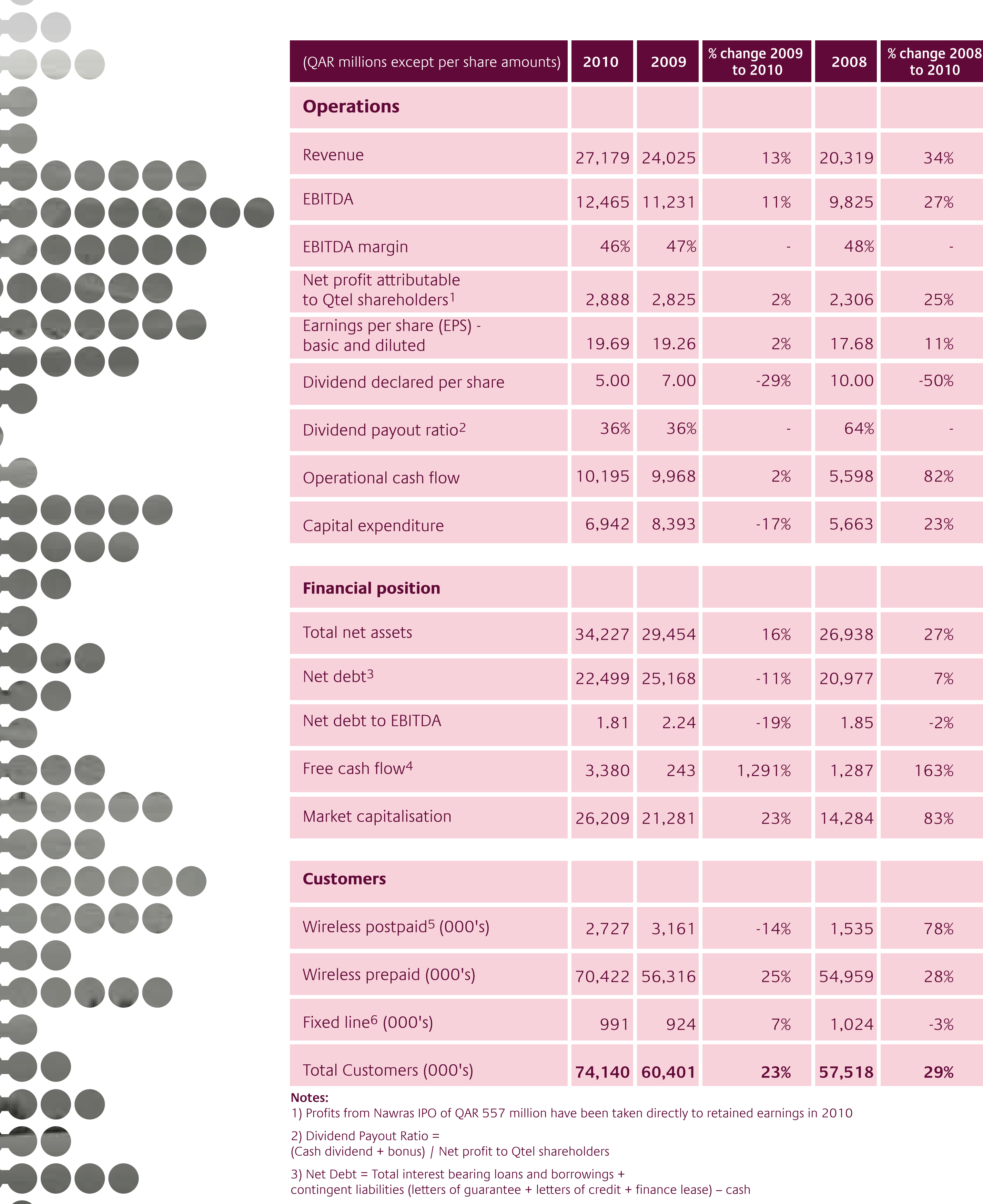
Strategic and Performance Review

The Qtel Group showed solid consolidated performance throughout 2010.

During the year, the Group achieved consolidated group revenue of QAR 27.2 billion, representing year-on-year growth of 13.1 percent. The company reported a net profit figure of QAR 2.9 billion, representing 2.2 percent year-on-year growth.

Driving this success was our clear focus on value-generation across our operations. In particular, we are increasingly leveraging our presence across regional markets – around 80 percent of total revenue for Qtel now comes from international operations and the company has achieved a balanced representation in markets where mobile penetration is high and emerging markets with major potential for growth.

FINANCIAL HIGHLIGHTS (CONTINUED)



(QAR millions except per share amounts)	2010	2009	% change 2009 to 2010	2008	% change 2008 to 2010
Operations					
Revenue	27,179	24,025	13%	20,319	34%
EBITDA	12,465	11,231	11%	9,825	27%
EBITDA margin	46%	47%	-	48%	-
Net profit attributable to Qtel shareholders[1]	2,888	2,825	2%	2,306	25%
Earnings per share (EPS) - basic and diluted	19.69	19.26	2%	17.68	11%
Dividend declared per share	5.00	7.00	-29%	10.00	-50%
Dividend payout ratio[2]	36%	36%	-	64%	-
Operational cash flow	10,195	9,968	2%	5,598	82%
Capital expenditure	6,942	8,393	-17%	5,663	23%
Financial position					
Total net assets	34,227	29,454	16%	26,938	27%
Net debt[3]	22,499	25,168	-11%	20,977	7%
Net debt to EBITDA	1.81	2.24	-19%	1.85	-2%
Free cash flow[4]	3,380	243	1,291%	1,287	163%
Market capitalisation	26,209	21,281	23%	14,284	83%
Customers					
Wireless postpaid[5] (000's)	2,727	3,161	-14%	1,535	78%
Wireless prepaid (000's)	70,422	56,316	25%	54,959	28%
Fixed line[6] (000's)	991	924	7%	1,024	-3%
Total Customers (000's)	**74,140**	**60,401**	**23%**	**57,518**	**29%**

Notes:

1) Profits from Nawras IPO of QAR 557 million have been taken directly to retained earnings in 2010

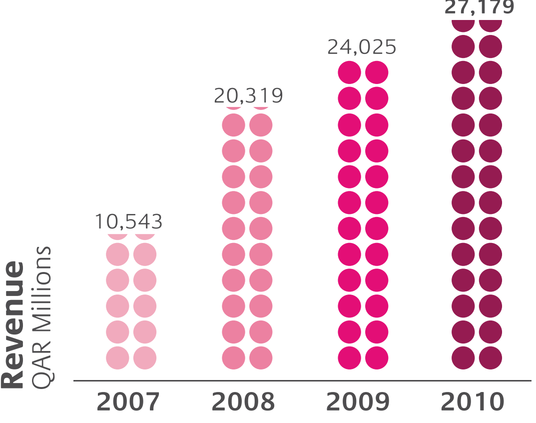
2) Dividend Payout Ratio =
(Cash dividend + bonus) / Net profit to Qtel shareholders

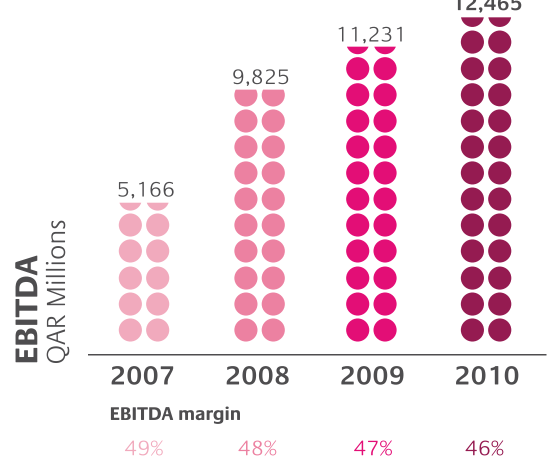
3) Net Debt = Total interest bearing loans and borrowings +
contingent liabilities (letters of guarantee + letters of credit + finance lease) – cash

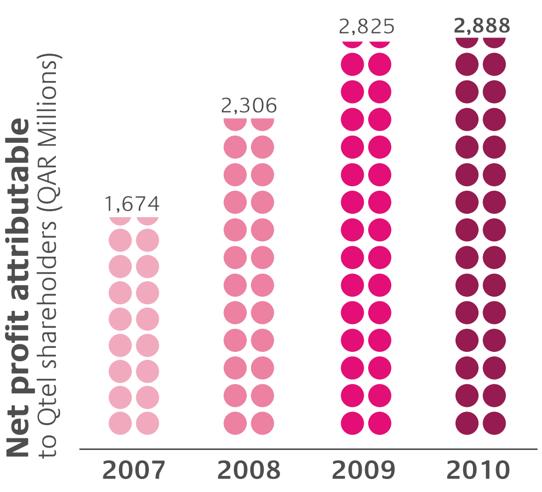
4) Free cash flow = Net profit plus depreciation and amortisation less capex;
Capex excludes license fee; Net profit adjusted for extraordinary items

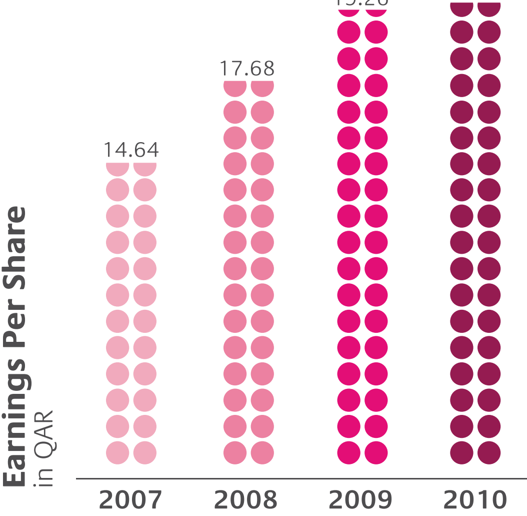
5) Includes wireless broadband

6) Includes fixed wireless

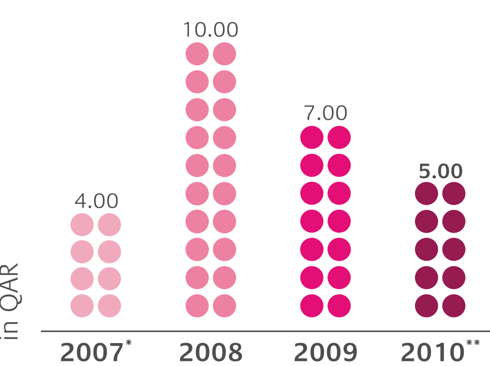

Revenue
QAR Millions
10,543
20,319
24,025
27,179
2007
2008
2009
2010


EBITDA
QAR Millions
5,166
9,825
11,231
12,465
2007
2008
2009
2010
EBITDA margin
49%
48%
47%
46%

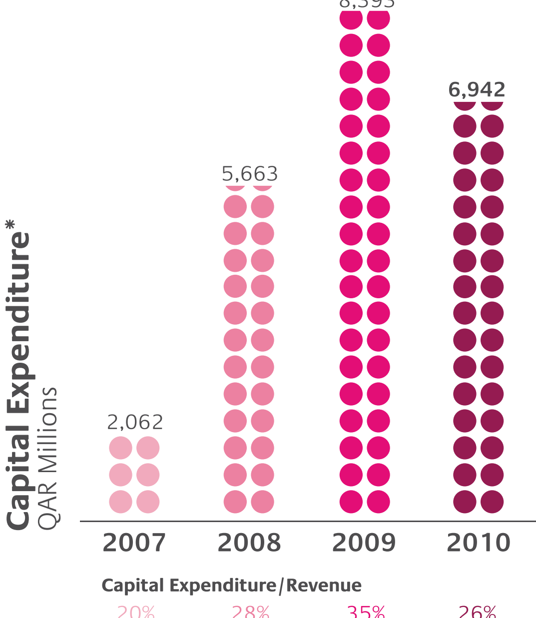

Net profit attributable
to Qtel shareholders (QAR Millions)
1,674
2,306
2,825
2,888
2007
2008
2009
2010


Earnings Per Share
in QAR
14.64
17.68
19.26
19.69
2007
2008
2009
2010

FINANCIAL HIGHLIGHTS (CONTINUED)



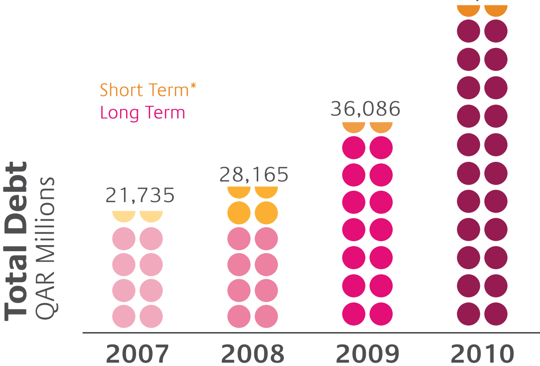
* 2007 + 10% Bonus Shares
** 2010 + 20% Bonus Shares (Recommended)



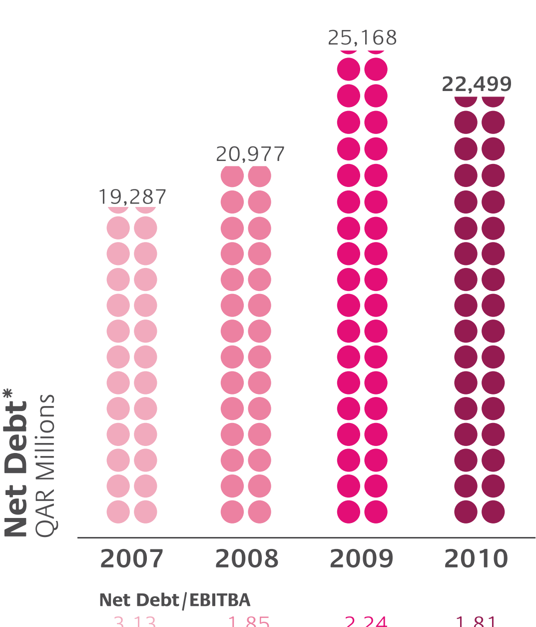
Capital Expenditure/Revenue

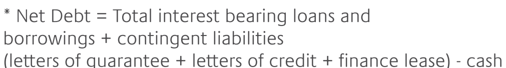
2007	2008	2009	2010
20%	28%	35%	26%

* Does not include intangibles

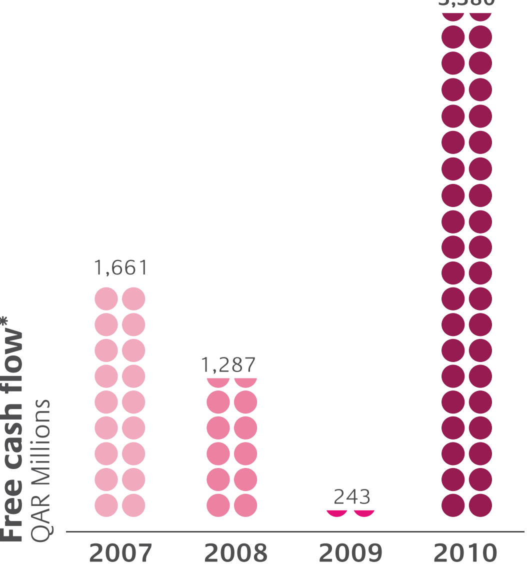


* Short Term debt includes debt with a maturity of less than twelve months

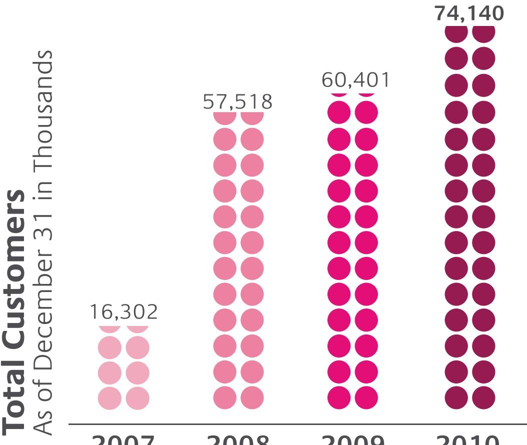


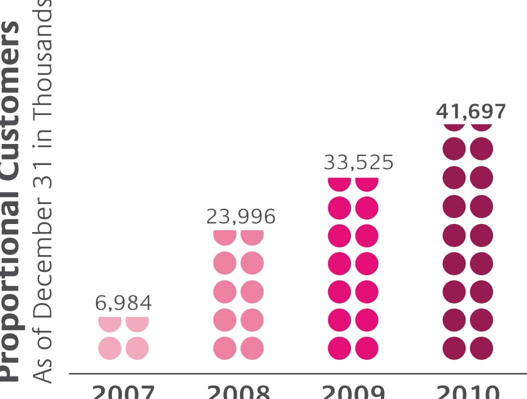


* Net Debt = Total interest bearing loans and borrowings + contingent liabilities (letters of guarantee + letters of credit + finance lease) - cash

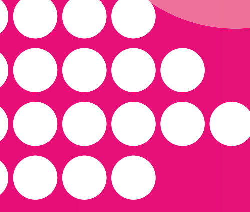


*Free cash flow = Net profit plus depreciation and amortisation less capex; capex excludes license fee; Net profit adjusted for extraordinary items





MEET THE BOARD OF DIRECTORS



Qtel's Chairman of the Board of Directors since July 2000, His Excellency has held several high profile positions in Qatar, including the Chief of the Royal Court (Amiri Diwan) from 2000 to 2005. He has a diverse background in both the military and aviation fields and was previously a Member of the Planning Council in Qatar. He sits on the boards of a number of leading telecommunications companies. His Excellency's wide experience in and knowledge of the fields of administration and government enrich the Board considerably.

H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani
CHAIRMAN

His Excellency joined the Board in March 1999. He is currently the President of State Holdings, a private Qatari company, and is a noted businessman, entrepreneur and investor, with a strong history of supporting successful commercial enterprises. His Excellency brings wide experience and knowledge of the fields of trade and investment to the Board.

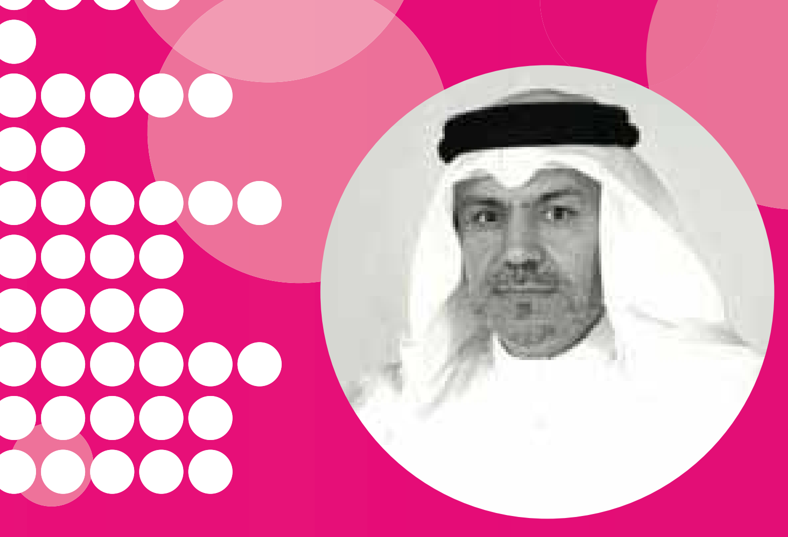
H.E. Sheikh Mohammed Bin Suhaim Al Thani
DEPUTY CHAIRMAN

His Excellency joined the Board in March 2003. He is the Director of the Office of Her Highness Sheikha Moza Bint Nasser Al Mesnid, Chairperson of the Qatar Foundation. He was formerly the Principal Advisor on Science and Technology for Qatar Science and Technology Park and Dean of the College of Science, Qatar University. His Excellency enriches the Board with his wide experience in and knowledge of the fields of technology and administration.

H.E. Dr. Abdullah Al Kubaisi
MEMBER

Mr. Al Darmaki joined Qtel's Board in March 1999. He is currently the Executive Director of Private Equity, Abu Dhabi Investment Authority, and a board Member of several leading financial institutions in the United Arab Emirates. His strengths in the fields of economics, investment and finance greatly augment the insights of the Board.

Hareb Masoud Al Darmaki
MEMBER



His Excellency joined the Board in July 2000. He currently serves on the boards of a number of Qatari companies and has held many prominent positions, including previous roles as Chief Financial Officer of the Royal Court (Amiri Diwan) and State Minister. His Excellency's considerable experience in and knowledge of administration, finance and government are greatly beneficial to the Board.

H.E. Mohammad Bin Issa Al Mohannadi
MEMBER

His Excellency joined the Board in March 2003. He is currently Secretary to His Highness, the Emir of Qatar, and was formerly General Manager of Qatar TV. He has also held a number of senior positions within Qatar's media sector and brings considerable experience in the fields of media and government to the Board.

H.E. Saad Al Rumaihi
MEMBER

Mr. Al Shamsi joined the Board in March 1999. He is CEO of International Capital Trading, United Arab Emirates and a board member of several prominent Emirati financial corporations, bringing considerable experience in the fields of economics and finance to the Board.

Hamad Abdullah Al Shamsi
MEMBER

Mr. Al-Talib has been a member of the Board since March 2003. He is currently the Corporate Manager of Information and Communication Technology (ICT) for Qatar Petroleum (QP) and holds board-level positions in energy and technology organisations. He enriches the Board with his significant experience in information technology.

Abdulla Zaid Al-Talib
MEMBER

Mr. Al Badi joined the Board in March 2007. He holds the position of Assistant Director, International Equities, Abu Dhabi Investment Authority, and is a noted expert in the fields of finance and investment.

Hamad Saeed Al Badi
MEMBER

Mr. Al Emadi joined the Board in March 1999. He is currently the Group Chief Executive of Qatar National Bank and enriches the Board with his significant experience and knowledge in the fields of finance and banking.

Ali Shareef Al Emadi
MEMBER

EXECUTIVE MANAGEMENT – QTEL INTERNATIONAL

Dr. Nasser Marafih
GROUP CHIEF EXECUTIVE OFFICER

Rick Seney
GROUP CHIEF OPERATING OFFICER

Ajay Bahri
GROUP CHIEF FINANCIAL OFFICER

Jeremy Sell
GROUP CHIEF STRATEGY OFFICER

Mohanna Al Nuaimi
GROUP CHIEF HUMAN RESOURCE OFFICER

Michael Hancock
GROUP GENERAL COUNSEL

EXECUTIVE MANAGEMENT – QTEL QATAR

Dr. Nasser Marafih is the Chief Executive Officer (CEO) of Qtel and CEO of Qtel International. Dr. Nasser started his career at Qtel in 1992 as an Expert Advisor from the University of Qatar and in 1994 he was seconded to the organisation as Strategic Planning and Development Manager. In 1998 he became the Divisional Manager of Strategic Planning and Development and has been involved in a number of strategic initiatives and landmarks in the company's history. He was instrumental in the introduction of the first GSM service in the Middle East in 1994; led the introduction of the Internet to Qatar in 1996; and played a key role in the privatisation of Qtel in 1998. Dr. Nasser holds a Bachelor of Science in Electrical Engineering, a Master of Science and a PhD in Communication, all from George Washington University, USA.

Dr. Nasser Marafih
CHIEF EXECUTIVE OFFICER

Sh. Saud Bin Nasser Al Thani
EXECUTIVE DIRECTOR,
HUMAN RESOURCES AND
ACTING EXECUTIVE DIRECTOR,
GENERAL SERVICES

Nick Dent
CHIEF OPERATING OFFICER

Adel Al Mutawa
EXECUTIVE DIRECTOR,
CORPORATE COMMUNICATIONS

Khalil Ebrahim Al-Emadi
EXECUTIVE DIRECTOR,
TECHNOLOGY

Mansoor Al-Khater
EXECUTIVE DIRECTOR,
STRATEGY

Waleed Al-Sayed
EXECUTIVE DIRECTOR,
CUSTOMER SERVICES

Khalid Abdulla Al-Mansouri
EXECUTIVE DIRECTOR,
BUSINESS SOLUTIONS

Ian Charles Dench
EXECUTIVE DIRECTOR,
CONSUMER SERVICES

Abdullatif Hamad Dafallah
CHIEF FINANCIAL OFFICER

Ahmed Yousef Al-Derbasti
EXECUTIVE DIRECTOR,
INTERNATIONAL SERVICES

CORPORATE GOVERNANCE REPORT

The Board of Directors and senior executives are entrusted with oversight, control, and management of the Qtel Group, and these important responsibilities require commitment, objectivity and accountability from those in leadership positions.

Our role is to ensure that the highest principles of sound governance and ethical behaviour are supported across our organisation, and we adopt best practices in these disciplines to conform to the principles and ethics of financial markets where Qtel is listed.

Hence, we assure our stakeholders that our governance principles and policies underwrite every decision taken and action executed at the Qtel Group.

Abdullah Bin Mohammed Bin Saud Al Thani
CHAIRMAN OF THE BOARD

QTEL'S VALUES AND CORPORATE GOVERNANCE PHILOSOPHY

Qtel's Board and management believe that good corporate governance practices contribute to the creation, maintenance and increase of shareholder value. Sound corporate governance principles are the foundation upon which the trust of investors is built and are critical to growing a company's reputation for its dedication to excellence and integrity.

As Qtel continues its rapid growth and global expansion, it is particularly critical to demonstrate to its new shareholders, customers, employees and communities the same high level of commitment and good corporate citizenship that have earned it a strong reputation in Qatar.

Qtel aims to be a leader in corporate governance and ethical business conduct by maintaining best practices, transparency and accountability to its stakeholders. This includes a commitment to the highest standards of corporate governance by reviewing, on an ongoing basis, the governance structures and practices in place to ensure their effectiveness and consistency with local and international developments.

ROLE OF THE BOARD

The primary role of the Board of Directors is to provide entrepreneurial leadership to the company within a framework of prudent and effective controls enabling risk to be assessed and managed. This role has been defined in detail by the Group's primary systems, and the company's Corporate Governance Manual, in addition to Corporate Law Number Five of the year 2002.

The Board has a number of key responsibilities and duties, including:

- **Vision and Strategy** including determining and refining the Group vision and objectives, as well as those of Qtel's domestic business. These are the foundation for all the actions and decisions of the Board and management.

- **Management Oversight** including appointing, establishing the duties and powers of, and assessing the performance of and determining the remuneration of the CEO and nominating the Chairman, Board members and the key officers of subsidiaries.

- **Financial and Investment** including reviewing and approving reports and accounts, and overseeing the Group and Qtel financial positions.

- **Governance and Compliance** including preparing and adopting the corporate governance rules for Qtel's domestic business and establishing the guidelines for the governance of the Group.

- **Communications with Stakeholders** including overseeing shareholder reporting and communications.

The Board is also responsible for the timely and accurate disclosure of information to Qtel's shareholders. All shareholders have easy access to information relating to the company and the Board of Directors and their qualifications. The company also updates its website regularly with news and statements and any relevant information, in addition to including all news and relevant information in its annual report to the Annual General Meeting.

Stock Exchanges in Qatar and Abu Dhabi, where Qtel's shares are listed – and in London where Qtel has a Global Depository Receipt (GDR) programme – are notified via quarterly reports and full-year financial results, which reflect Qtel's commitment to the terms and conditions of statements and listings in these stock exchanges.

COMPOSITION OF THE BOARD

The Board of Directors has the full power and authority to manage Qtel and to pursue the objective of creating value for shareholders, with consideration given to the continuity of the Group's business. As Qtel QSC is both the parent company of the Qtel Group and an operating company in the State of Qatar, its Board of Directors has a dual role, one to supervise the Group's businesses as a whole, and the other to oversee in more detail the Group's operations in Qatar.

The Board of Directors consists of 10 members, five of whom, including the Chairman, are appointed by the State of Qatar. The other five Board members are elected by secret ballot of the General Assembly. Only shareholders owning at least one percent (1 percent) of the company's capital may nominate candidates for these Board positions.

Each year the Board evaluates its own performance and that of its committees. Depending on particular requirements, individual development programmes are developed for each Board member. In the case of serious deficiency in performance by a Board member that has not been remedied in a reasonable time, the Qtel Board may take measures permitted by law and the Articles of Association. In addition, an annual executive management evaluation takes place, based on a corporate score card and a business-sector level score card.

A Board member's term is four years and may be renewed. The terms of office of Board members run concurrently, according to Corporate Law Number Five of 2002. The company holds Board meetings on a regular basis, with at least six meetings held every year. In 2010, a total of seven meetings were held. According to the company's Articles of Association, shareholders have the right to call for a general meeting whenever they see fit.

The Board of Directors recommended to the General Assembly the approval of the payment of dividends, according to the parameters outlined in Article 53 of the Law No. 21 for the Year 1998.

To manage concerns in relation to employee behaviour and general standards and performance, the Board has a policy in place that guarantees confidentiality and security for any reports of illegal activity. This is included in the company's code of ethics, as the company commits to the rules and regulations for its listings across multiple Stock Exchanges.

2010 ACTIVITIES

The Qtel Board realised a number of key targets and oversaw the successful execution of important initiatives in 2010. These included:

- Approval of the Group-wide Enterprise Risk Management (ERM) policy.
- Approval of decisions related to investment opportunities.
- Completion of the reformation of the Board Committees.
- Report to QFMA on compliance with the provisions on the Corporate Code of Governance for listed companies.
- Nomination and appointment of a Compliance Officer for the Group.

ROLE OF THE BOARD COMMITTEES

In 2010, to enable more effective decision-making and to better support the vision for corporate governance, the Qtel Board reorganised its committees into four primary committees – the Executive Committee, the Audit Committee, the Investment Committee and the Remuneration and Nomination Committee.

Committees are composed of at least three Board members appointed by the Board, taking into account the background and experience of each Board member. The Board can replace committee members at any time.

Each Board committee has a written charter setting forth its responsibilities, duties and authorities.

EXISTING BOARD SUB-COMMITTEES AND MEMBERSHIP

Name of Committee	Member	Role
The Executive Committee	H.E. Sh. Abdullah Bin Mohammed Bin Saud Al Thani	Chairman
	H.E. Sh. Mohammed Bin Suhaim Al Thani	Deputy Chairman
	H.E. Mohammad Bin Issa Al Mohannadi	Member
	Mr. Hareb Masoud Al Darmaki	Member
The Audit Committee	Mr. Abdulla Zaid Al-Talib	Chairman
	Mr. Hamad Saeed Al Badi	Deputy Chairman
	H.E. Dr. Abdulla Hussain Al Kubaisi	Member
The Remuneration and Nomination Committee	H.E. Mohammad Bin Issa Al Mohannadi	Chairman
	H.E. Mr. Saad Al Rumaihi	Member
	Mr. Ali Sharif Al Emadi	Member
The Investment Committee	H.E. Sh. Mohammed Bin Suhaim Al Thani	Chairman
	Mr. Hareb Masoud Al Darmaki	Member
	Mr. Ali Sharif Al Emadi	Member

EXECUTIVE COMMITTEE OBJECTIVES AND ACTIVITIES

Objectives

The committee's role is to ensure that the high level decision-making process used to achieve the company's objectives is flexible and timely, and in accordance with the authority delegated by the Board of Directors to the committee.

The committee is also tasked with studying issues that need detailed and in-depth review before being raised to the Board of Directors for final decision. It controls the execution of the Corporate Strategy and the financial and strategic investment methodology. Other duties can be delegated by the Board.

2010 Activities

The committee realised a number of key achievements in 2010:

- Reviewed recommendations for award contracts and provided relevant decisions therein.
- Reviewed the fixed and inventory asset write-off process and provided relevant decisions therein.
- Issued two resolutions by circulation in 2010.
- Held two meetings in 2010.

AUDIT COMMITTEE OBJECTIVES AND ACTIVITIES

Objectives

The committee assists the Board of Directors in fulfilling its oversight responsibilities for the integrity of the company's financial statements.

It also advises the Board of Directors on the adequacy and effectiveness of the systems of internal control, and arrangements for risk management across the company. The committee is also charged with ensuring the independence and objectivity of Internal and External Audit functions.

The Audit Committee reviews the annual internal audit and the audit reports. It also reports on matters arising from the audit in respect of the company and its subsidiaries, including the management's responses, the level of cooperation and provision of information during the course of the audit, and the cost-effectiveness of the audit. It also works to establish communication links between executive management and the company's internal and external auditors.

2010 Activities

The committee realised a number of key achievements in 2010:

- Reviewed the quarterly and annual internal audit report.
- Reviewed the internal audit and annual plan.
- Reviewed all financial statements before being submitted to the Board.
- Provided support to management in addressing key risk issues and audit plans.
- Held four meetings in 2010.

REMUNERATION AND NOMINATION COMMITTEE OBJECTIVES AND ACTIVITIES

Objectives

The Remuneration and Nomination Committee works to assist the Board of Directors in fulfilling its duties and responsibilities in respect of nominating and appointing the Board members, and granting compensation to the Chairman and members of the Board, as well as compensation for executive management and employees. The committee also contributes to evaluating the Board's performance.

The committee is also responsible for undertaking any duties or responsibilities as delegated by the Board.

2010 Activities

The committee realised a number of key achievements in 2010:

- The committee reviewed the draft of the committee's charter, as well as agreed to the terms of reference and authorities.
- Agreed to the conditions for appointing Board Members.
- Held two meetings in 2010.

INVESTMENT COMMITTEE OBJECTIVES AND ACTIVITIES

Objectives

The Qtel Investment Committee is responsible for the execution of Qtel's corporate strategy, in relation to financial and strategic investment transactions. It works to provide strategic guidance to management on the company's financial investment priorities and risk profiles. The committee

recommends a number of key policies to the Board, including Treasury Policy and Financial Investment Policy.

2010 Activities

The committee realised a number of key achievements in 2010:

- Reviewed proposals for new investments and financing projects, and took appropriate decisions.
- Held four meetings in 2010.

OFFICE OF CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE COMMITTEE

Objectives

Established in 2008, the Office of Corporate Governance is charged with assisting the management and Board in ensuring the effectiveness of and adherence to corporate governance practices and policies throughout the Group.

To ensure the continuous monitoring and follow-up of corporate governance issues and policies, a Corporate Governance Committee has been established, comprised of Qtel International's general council, two members of the Qtel International legal department, Qtel's board secretary and legal advisor, Qtel's corporate auditor, Qtel International's chief financial officer and Qtel's investor relations manager and compliance officer.

2010 Activities

The Office of Corporate Governance achievements in 2010 included:

- Publication of the Qtel Manual of Corporate Governance.
- Implementation of an ethics compliance programme including workshops within the domestic business, while overseeing implementation of Codes of Ethics in the Group.
- Assistance to the Board with its annual evaluation and Ethics compliance.

INTERNAL AUDIT FUNCTION OBJECTIVES AND ACTIVITIES

Objectives

The mission of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve Qtel's operations. It works under the supervision of the Audit Committee. There are clear instructions from Qtel's Board, the Auditing Committee, and the executive management requiring all business units and departments to work in alignment with the internal and external auditing systems, and to respond to any issues that are reported by the auditors.

2010 Activities

- Performed audits in the fields of operations, information technology and technical activities of the company, as per the approved 2010 annual plan.
- Contributed to the development of policies and regulations in partnership with management.
- Provided help and support in establishing the audit committees and internal audit function.
- Managed coordination between the external auditors, the state audit bureau and management.
- Provided support to the internal audit functions across the company.
- Hosted the first internal audit forum for the Qtel Group.

To ensure transparency and accountability, some matters that come to the attention of the internal auditor, external auditor and accounting staff are investigated separately, based on the nature of these cases.

RISK MANAGEMENT AND INTERNAL CONTROL OBJECTIVES AND ACTIVITIES

Objectives

Qtel has established a system of managing internal risk. Qtel has also set the policies and regulations that will protect the company's investments and operations, on a group level as well as in Qatar. It is designed to:

1. Identify, assess, monitor and manage risk and
2. Inform the Board of material changes to Qtel's risk profile.

The Board is responsible for establishing the risk management system and to review at least annually the effectiveness of Qtel's implementation of that system. Management is responsible for systematically identifying, assessing, monitoring and managing material risk throughout the organisation. This system includes the Company's internal compliance and control systems.

The internal audit function analyses the effectiveness of Qtel's risk management and internal compliance and control system as well as the effectiveness of their implementation.

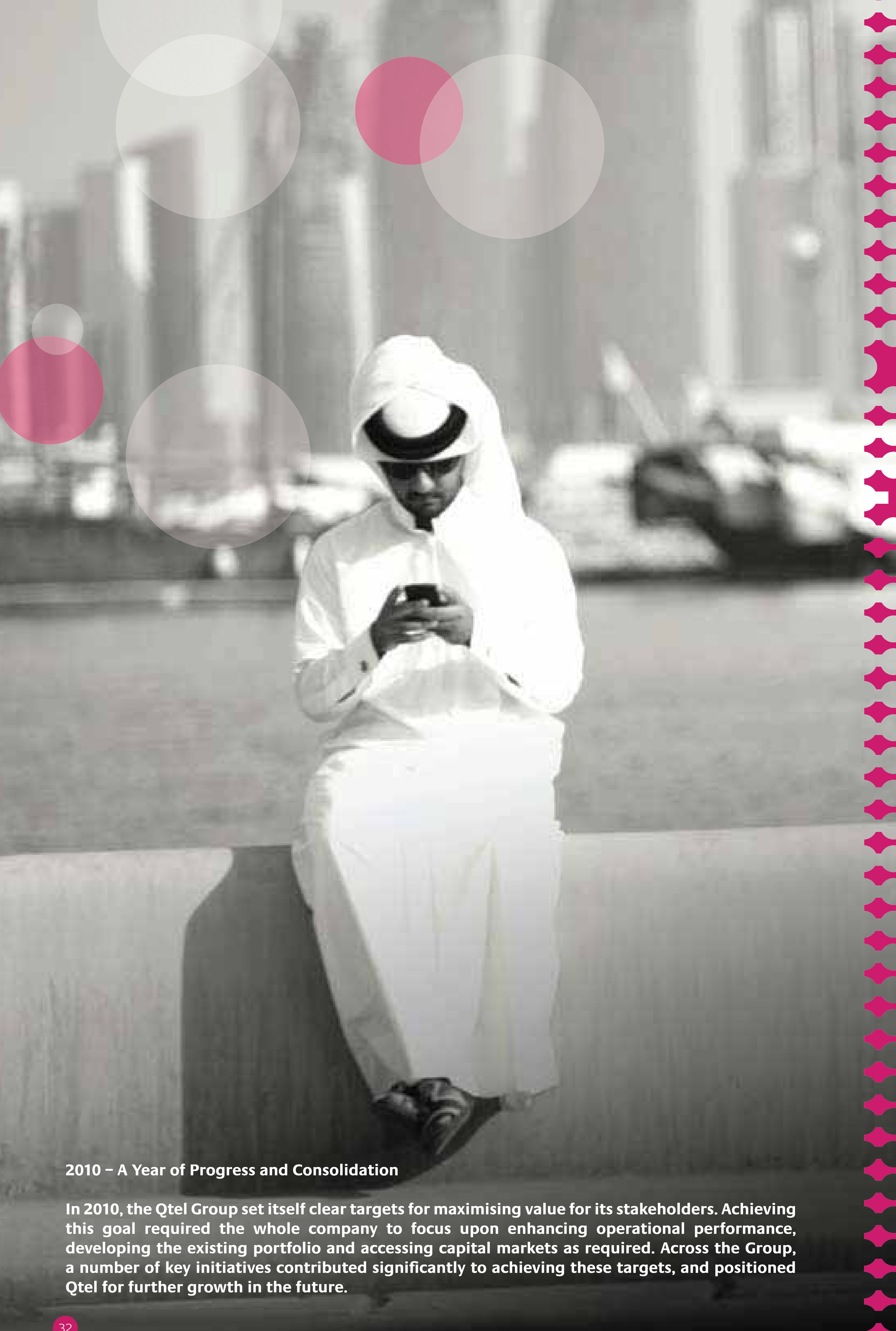
2010 Activities

- A project, led by an external firm, was completed to identify risk points within Qtel in Qatar.
- With the guidance of Qtel International, a new Enterprise Risk Management (ERM) policy was approved by the Board.
- The creation of an ERM function to implement the ERM policy is in progress.

There were no material violations reported in 2010 by the internal auditor.

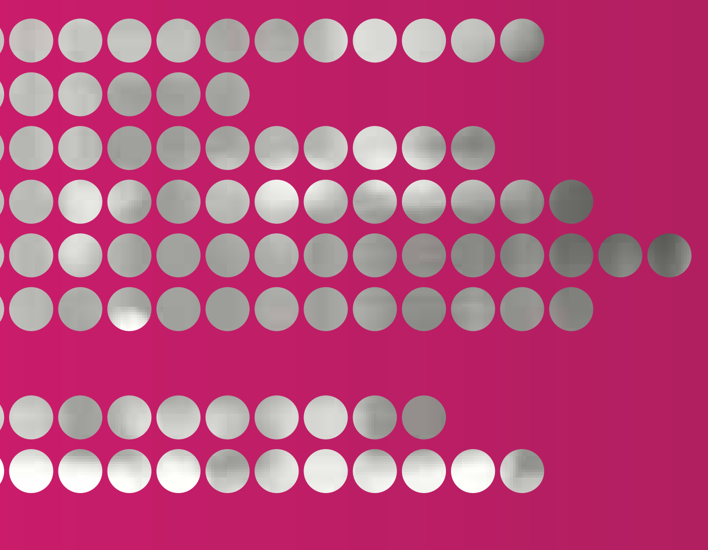
EXTERNAL AUDITOR

According to the company's law and to the corporate law No. 5 of the year 2002, an external auditor is appointed every year by the AGM.



2010 – A Year of Progress and Consolidation

In 2010, the Qtel Group set itself clear targets for maximising value for its stakeholders. Achieving this goal required the whole company to focus upon enhancing operational performance, developing the existing portfolio and accessing capital markets as required. Across the Group, a number of key initiatives contributed significantly to achieving these targets, and positioned Qtel for further growth in the future.



KEY MOMENTS IN 2010

JANUARY

Major Ratings Agencies Confirm Investment Grade Ratings

At the start of the year, Standard and Poor's ("S&P") and Fitch reconfirmed their investment grade credit ratings on Qtel. Standard & Poor's Ratings Services reassigned its "A-" long term and "A-2" short term corporate credit ratings, while Fitch Ratings reassigned an issuer default rating of "A+".

Qtel Expands its "Fuel Your Senses" Campaign Nationwide

Following an initial launch in December 2009, Qtel expanded the "Fuel your Senses" campaign across Qatar, with a special series of initiatives and events. The "Fuel Your Senses" campaign delivered a refreshed new look and feel for Qtel, built around a shared sense of pride and purpose.

FEBRUARY

Qtel Group Announces Plans for Comprehensive Mobile Money Service

The Qtel Group announced its strategy to make Mobile Money services available for customers across its international operations at the Mobile World Congress in Barcelona. A range of services, including Mobile Payments, Mobile Recharge and International Mobile Remittance, were provided across operations in 2010.

MARCH

Qtel Launches its Nationwide Fibre-to-the-Home Programme

Building on its heritage as the company that brought broadband technology to Qatar, Qtel announced the first phase of a national programme for "Fibre to the Home" (FTTH), aiming to link homes across Qatar with fibre connections over the next three years. The company has allocated QAR600 million for the first phase of the roll-out, which continued throughout the year.

Government Royalty Fee Reduced to 12.5 Percent

Following a government decree, the royalty fee payable by Qtel was reduced with retroactive effect from 7 October 2007. The royalty of 25 percent of the company's net profit was reduced to a 12.5 percent fee on profits from Qatar operations. In addition, a one percent fee was made payable on Qtel Qatar operation's regulated revenue from the effective date. The backdated reduction of the fee resulted in an increase in Qtel's profit of approximately QAR 554 million.

Fahad Bin Jassim Kidney Centre Opens to the Public

Donated by Qtel and managed by Hamad Medical Corporation, the Fahad Bin Jassim Kidney Centre delivered a modern and spacious area for patients, with 80 stations and 20 private rooms. Designed to offer some of the most advanced treatment standards in the region and to provide comfort for those in need, the Centre was named in memory of Sheikh Fahad Bin Jassim Al-Thani, who made a major contribution to the development of Qatar and of Qtel.

APRIL

Qtel Successfully Secures New US$ 2 Billion Dual Tranche Revolving Credit Facility

In April, Qtel successfully closed the senior phase of a new dual tranche revolving credit facility. The original intention was to raise up to US$ 1.5 billion by approaching core relationship banks. Due to an extraordinary response Qtel received commitments in the amount of US$ 2.75 billion, leading to oversubscriptions of 83 percent. The total subscribed amount of US$ 3.86 billion substantially exceeded the original target of US$ 1.5 billion.

Indosat Launches World's First Hosted "BlackBerry on Demand" Enterprise Solution

In line with its strategy to launch a range of sophisticated new products, Indosat launched the world's first hosted "BlackBerry on Demand" Enterprise solution in April. The BES On Demand service is available either as a non-hosted service or a hosted service that can be activated by customers via SMS. With the BES On Demand, Indosat continues its commitment to provide customers with more choices for their communication activities.

MAY

Qtel and Virgin Group launch Qtel's Virgin Mobile Service

With a special opening ceremony that marked the start of an action-packed day, Sir Richard Branson arrived at the head of a V-formation fleet of jetski riders to launch Qtel's Virgin Mobile Service. Offering a unique brand experience, the service was designed to reach out to Qatar's dynamic youth demographic.

Qtel Launches New International Landing Station

Qtel concluded an agreement with Gulf Bridge International (GBI) in May that saw Qtel provide a landing station for GBI's cable in Qatar. The agreement connected Qatar to the GBI Cable System, which will connect all the countries of the Gulf region to each other and provide onward connectivity to Europe and Asia.

JUNE

wi-tribe Appoints New CEO

In June, the Board of Directors appointed Sohail Qadri as its Group Chief Executive Officer for wi-tribe. Prior to this appointment, Qadri advised the boards of a number of technology, communications and venture capital and private equity organisations and served as the Group Strategy Director at Telefonica S.A.

JULY

Indosat Successfully Prices US$ 650 Million, 10-Year Bond Issue

Qtel's subsidiary PT Indosat Tbk successfully priced US$ 650 million guaranteed senior notes in the largest offering by an Indonesian corporation ever completed. The notes were issued by Indosat's wholly-owned subsidiary Indosat Palapa Company B.V.

Nawras Launches Residential Fixed Line Services in Oman

Nawras launched its fixed-line voice and broadband services for consumers, using a combination of fibre and WiMAX technology in July 2010. The new home broadband and voice service gave customers the possibility to surf the Internet at a high speed using WiMAX technology and offered a fixed telephone connection free with every broadband Internet connection.

AUGUST

Nawras Reaches the Two Million Customer Milestone in Oman

Even in the face of increased competition, Nawras reached the important landmark of two million customers on its network. This significant achievement was realised through Nawras' continuing focus on innovation and high levels of customer service.

SEPTEMBER

Nawras Announces the Opening of IPO Subscription

Qtel's subsidiary Nawras announced the opening of the subscription period for its initial public offering in September 2010. The Offering was made in Oman and was open to Omani and Gulf Cooperation Council ("GCC") retail investors, and to Omani and international institutional investors. Nawras was Qtel's first investment outside Qatar and in just five years of operation, the management has developed a market share of 45 percent, and the IPO generated international interest. When it closed in October 2010, the offer was fully subscribed.

OCTOBER

Wataniya Mobile Palestine Announces IPO

Qtel Group member Wataniya Mobile, the second licensed mobile telecommunications company in Palestine, announced its intention to undertake an Initial Public Offering of 15 percent of its authorised share capital followed by a listing on the Palestine Exchange. When the offer closed in December 2010, it was more than 1.5 times oversubscribed, with strong demand from retail investors in Palestine and a broad base of international institutional investors.

Qtel Achieves Success in Bond Market

In October, Qtel successfully issued US$ 1.5 billion and US$ 1.25 billion senior unsecured notes under its existing US$ 5.0 billion Global Medium Term Note Programme. Considerably oversubscribed, the six-, eleven- and fifteen-year issuances attracted substantial global interest.

Wataniya Launches Rewards Programme in Kuwait

Launched in October, the "Wataniya Rewards Programme" provided customers with a range of rewards redeemable with local businesses and from Wataniya, based upon their network usage. Wataniya's investment in the loyalty programme will provide a strong competitive differentiator moving forward.

Qtel Launches International Credit Transfer for Mobile Customers

In a first for the mobile communications market in Qatar, Qtel made a new International Credit Transfer service available for mobile customers in October. The new service is a safe, simple and fast way for customers to transfer mobile credit to international numbers in India, the Philippines, Pakistan, Indonesia, Nepal, Bangladesh and Sri Lanka through an established airtime network.

NOVEMBER

Qtel Group Signs Agreement to acquire Consolidating Shareholding in Tunisiana

Qtel signed an agreement to Acquire, via Wataniya Telecom a consolidating shareholding of 75 percent in Tunisiana from Orascom Telecom. Wataniya had a pre-existing 50 percent shareholding in Tunisiana.

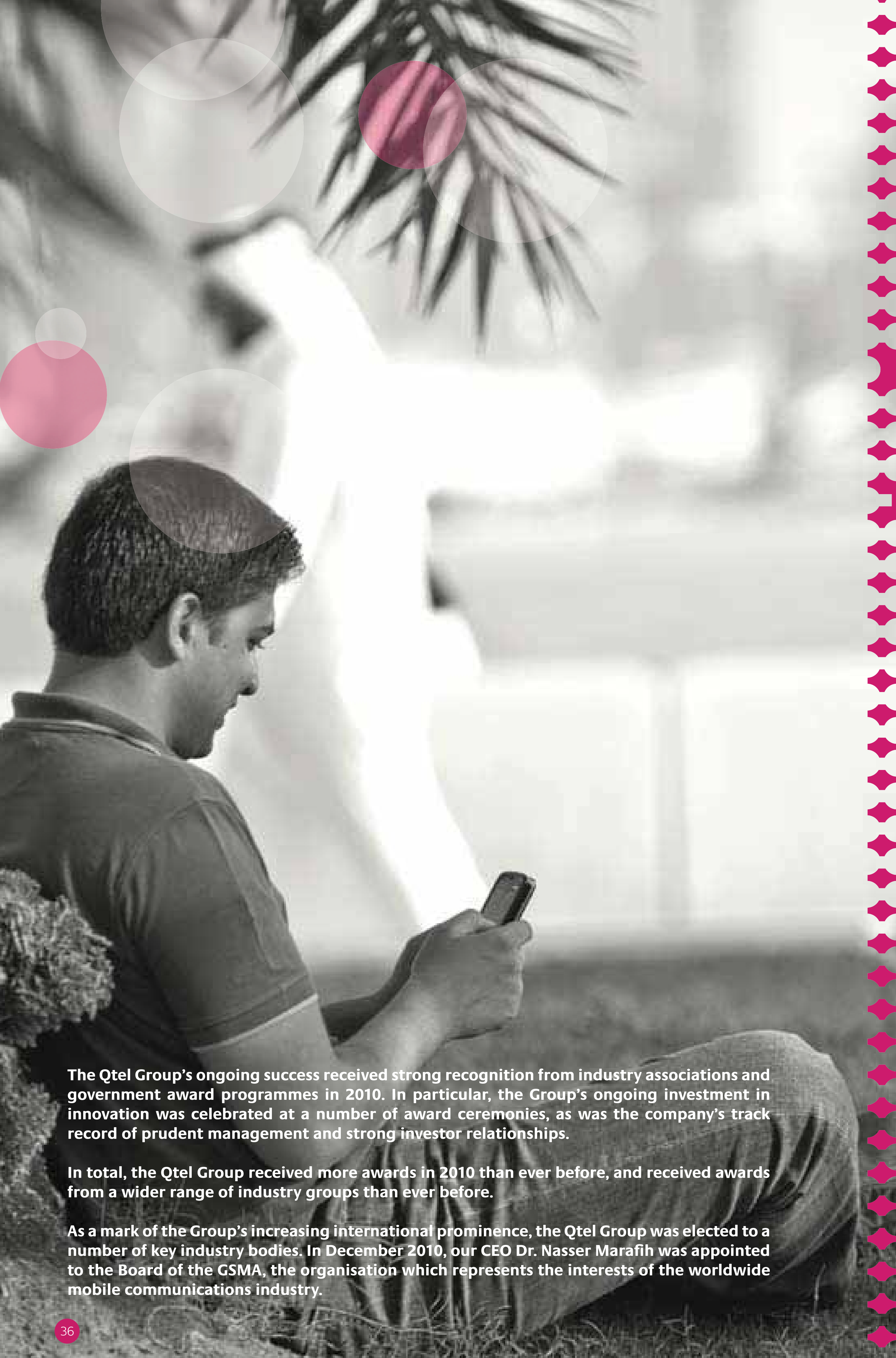
Asiacell Launches International Airtime Transfer Service

Launched in November, this new service will enable Iraqi nationals living abroad to send small value transfers to their relatives and friends in Iraq in the form of prepaid top-ups. Low in cost, high in value, international prepaid mobile top-ups are the ideal complement to money remittances.

DECEMBER

Qtel Group Launches Music Download Service

In December, Qtel launched a new unlimited music service – "Backstage," a music download service for mobile phones and PCs that gives music fans unlimited access to their favourite music. Following the launch in Qatar, the service was rolled out across multiple markets within the Qtel Group, as part of the long-term strategy of offering more entertainment and digital services to the diverse customer base.



The Qtel Group's ongoing success received strong recognition from industry associations and government award programmes in 2010. In particular, the Group's ongoing investment in innovation was celebrated at a number of award ceremonies, as was the company's track record of prudent management and strong investor relationships.

In total, the Qtel Group received more awards in 2010 than ever before, and received awards from a wider range of industry groups than ever before.

As a mark of the Group's increasing international prominence, the Qtel Group was elected to a number of key industry bodies. In December 2010, our CEO Dr. Nasser Marafih was appointed to the Board of the GSMA, the organisation which represents the interests of the worldwide mobile communications industry.

AWARDS AND INDUSTRY RECOGNITION

2010 AWARDS FOR QTEL

TMT Finance Middle East 2010 Awards (April 2010)
1. Mobile Operator of the Year Middle East
2. Telecom Deal of the Year
3. Outstanding TMT Leader of the Year
   (CEO Dr. Nasser Marafih - second year in a row)

European Foundation for Quality Management (June 2010)
4. Recognised for Excellence Award

EMEAFinance Awards 2010 (June 2010)
5. Best Corporate Bond in EMEA Award

Asia's Best Employer Brand Awards 2010 (August 2010)
6. HR Leadership Award

Contact Centre World MENA 2010 (August 2010)
7. Gold Award for Best Customer Service
8. Gold Award for Best Support Professional
9. Silver Award for Best Supervisor
10. Bronze Award for Best Contact Centre 250+ Agents
11. Bronze Award for Best Outbound Campaign

Arabian Business Achievement Awards (October 2010)
12. Best Telecom Company

Arabian Business Achievement Awards Qatar (October 2010)
13. Best Telecom Company

ACT Middle East Treasury Awards 2010 (October 2010)
14. Treasury Team of the Year – Qtel

Middle East Investor Relations Society – Middle East (October 2010)
15. Leading Quoted Qatari Company for Investor Relations – Qtel

Contact Centre World Top Ranking Performers (November 2010)
16. Gold Award for Best Supervisor
17. Silver Award for Best Support Professional
18. Bronze Award for Best Customer Service

SAMENA Telecommunications Council Awards (November 2010)
19. Best Telecom Deal

Qatar Today Green Awards (December 2010)
20. Green Retailer Award

CommsMEA Awards 2010 (December 2010)
21. Best New Telecoms Service

World Summit Awards 2010 (December 2010)
22. Best m-Entertainment & Lifestyle Service - mobile Outstanding Regional Achievement

WHY INVEST IN QTEL 2010

CLEAR STRATEGIC PATH

- To be among the top 20 telecommunications companies globally (by Enterprise Value) by the year 2020.
- Three business lines - consumer mobile, consumer broadband, and corporate managed services.
- Three geographies - Middle East and North Africa, Asian Sub-continent and Southeast Asia.

STRONG STATE SUPPORT

- One of the largest public companies in Qatar.
- 55% owned directly by Qatari government, 13% by other Qatari government-related entities.
- International “flag carrier” for Qatar.
- Track record of government support for pre-acquisition process in new markets.

DIVERSIFIED AND STABLE REVENUE BASE WITH GROWTH POTENTIAL

- Holds lead position in Qatar and is top two provider of telecom services in three key markets of Indonesia, Iraq and Kuwait.
- Cash-generating positions in Qatar, Kuwait, Oman and Tunisia.
- Growing positions in Indonesia, Iraq, Tunisia, Algeria and Palestine.
- Continued development of consumer broadband offerings in Jordan, Pakistan and the Philippines.

SOLID FINANCIALS

- Strong top line growth.
- High and stable EBITDA margins.
- Strong investment grade credit rating.

TOP MANAGEMENT TEAM

- Experienced management team with proven track record.
- Consistent strategy and execution/extraction of synergies and value.
- Corporate governance in line with international standards.

Focused on three business segments:

- Consumer Wireless
- Consumer Broadband
- Corporate Managed Services

in three regions

Qatar Telecom (Qtel) Q.S.C.	Effective Stake
Qtel [1]	100%
Nawras	55%
Wataniya (NMTC)	52.5%
Raywood	61%
Asia Mobile Holdings	25%
wi-tribe	86%
Indosat	65%
Liberty Telecom	40%
Navlink	38%

[1] Operations integrated within Qatar Telecom (Qtel) Q.S.C.; Also holds 60 percent of Starlink Qatar

Today

- MIDDLE EAST & NORTH AFRICA
- ASIAN SUB-CONTINENT
- ASIA PACIFIC

Wataniya (NMTC)	Effective Stake
Wataniya Kuwait [2]	100%
Wataniya Maldives [3]	100%
Nedjma [4]	80%
Wataniya Palestine	48.5%
PTC - Bravo	56%
Tunisiana	50%

Raywood	Effective Stake
Asiacell [5]	49%

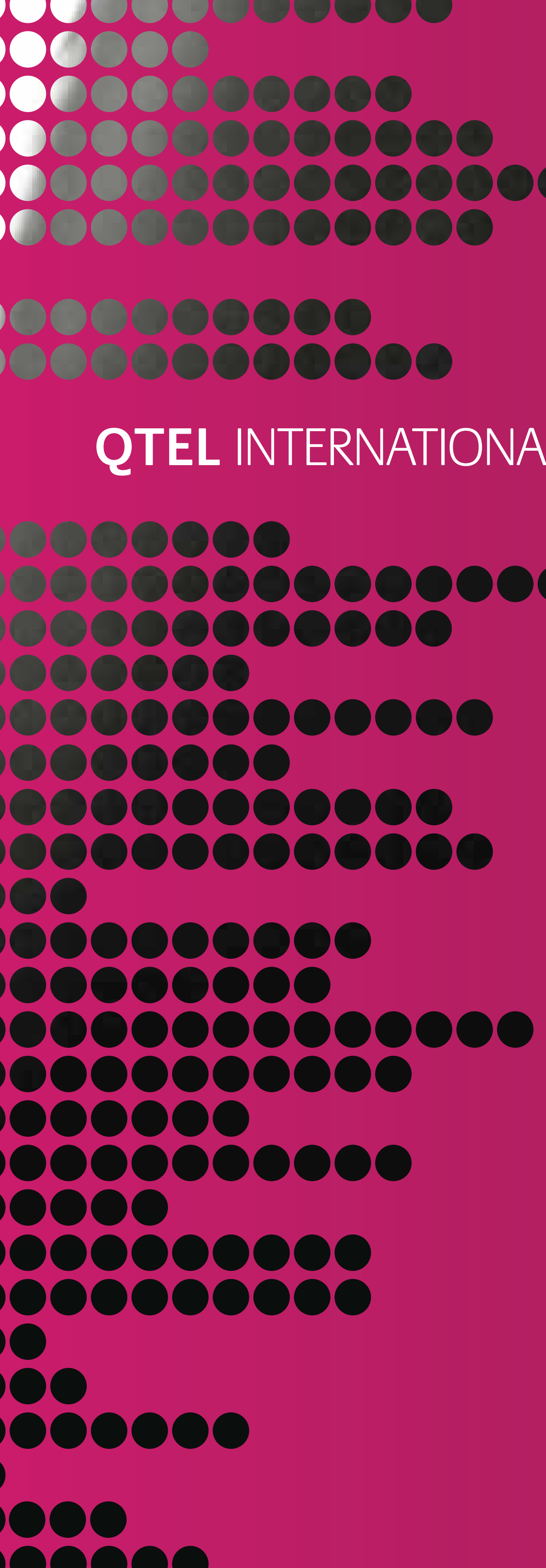
Asia Mobile Holdings	Effective Stake
StarHub	49%
Shenington Investments	49%

Shenington Investments	Effective Stake
LTC	49%
Mfone	100%

wi-tribe	Effective Stake
wi-tribe Jordan	100%
wi-tribe Pakistan	100%

[2] Operations integrated within NMTC
[3] Holds 65 percent of WARF Telecom International Private Limited as a subsidiary
[4] 71 percent is held via NMTC and a nine percent stake is held via Qatar Telecom (Qtel) QSC
[5] Asiacell is consolidated on the basis of control rights contained in the shareholders' agreements

Reporting directly to the Group Chief Executive Officer, Qtel International supports the CEO in managing the Qtel Group of companies. It is responsible for providing technical, marketing, strategic and HR services to subsidiaries, together with corporate governance and financial services and a mechanism for realising synergies between operations. As part of its mandate it also provides strong, experienced leadership and management capacity necessary to support the Group. Since its creation in 2008 it has played a key, enabling role in helping to enhance the capacity, capability and cohesiveness of the Group's international operations.



MANAGING GROUP PERFORMANCE

Qtel International helps to coordinate business planning for the operating companies and for the Group as a whole. This occurs annually and involves all operating companies and functional areas, including operations, finance, HR and strategy. As part of this process, regular performance reviews take place that measure how Group companies are performing compared to plan; Qtel International also reviews corrective actions with the subsidiaries' managements and boards. Qtel International plays a key role in how Group companies operate and govern themselves. In addition to a governance framework implemented by Qtel International, Group company subsidiary Boards also benefit from an ongoing and engaged advisory relationship with Qtel International.

SYNERGIES AND SCALE

As a large, diversified group of companies, there are many opportunities to share knowledge and skills across the Group. The Qtel International team aids this interaction, enabling the sharing of experiences and skill-sets among the various operating companies. These take place on a regular basis in the form of functional committees as well as more specialised project-based workshops. The Qtel International team is also instrumental in extracting cost synergies and efficiencies from across the Group, be that in the form of leveraging scale in negotiations with network vendors and other suppliers or in efficient use of resources. Through benchmarking amongst the Group and amongst peer groups, cost optimising opportunities have been identified.

SPREADING INNOVATION

As well as offering opportunities to share resources and save costs, Qtel International is the focal point for sharing innovative services developed in cooperation with other operations across the Group. These efforts not only serve to expand and enhance the Group's revenue streams, but also reduce the need for multiple or duplicative efforts. During the course of 2010, Qtel International spearheaded a number of innovation initiatives, including the Group's "Mobile Money" strategy. Announced in February, the strategy saw the Group roll out a range of mobile payment, recharge and international remittance services across its operations, starting with a credit transfer service from Qtel in Qatar. Qtel International has also helped to expand "Backstage" – a new, unlimited mobile music service first launched in Qatar – across multiple markets within the Qtel Group.

STRAGIC EXPANSION AND FINANCING

In 2010 Qtel International fulfilled this mandate via a number of transactions, including the landmark IPOs of Nawras in Oman and Wataniya Mobile in Palestine. Efforts beginning in 2010 also led to the acquisition of a consolidating 75 percent stake in Tunisiana in January 2011. Qtel International also made an important contribution to the Group's successful and heavily oversubscribed US$ 2.0 billion Revolving Credit Facility secured in April and US$ 2.75 billion in bonds issued in October.

QATAR

	12M'10
Population[1]	1.7m
Mobile Penetration[2]	166%
Market Share[2]	75%

1. IMF, EIU
2. Wireless Intelligence, Qtel

TOTAL CUSTOMERS (MIL)

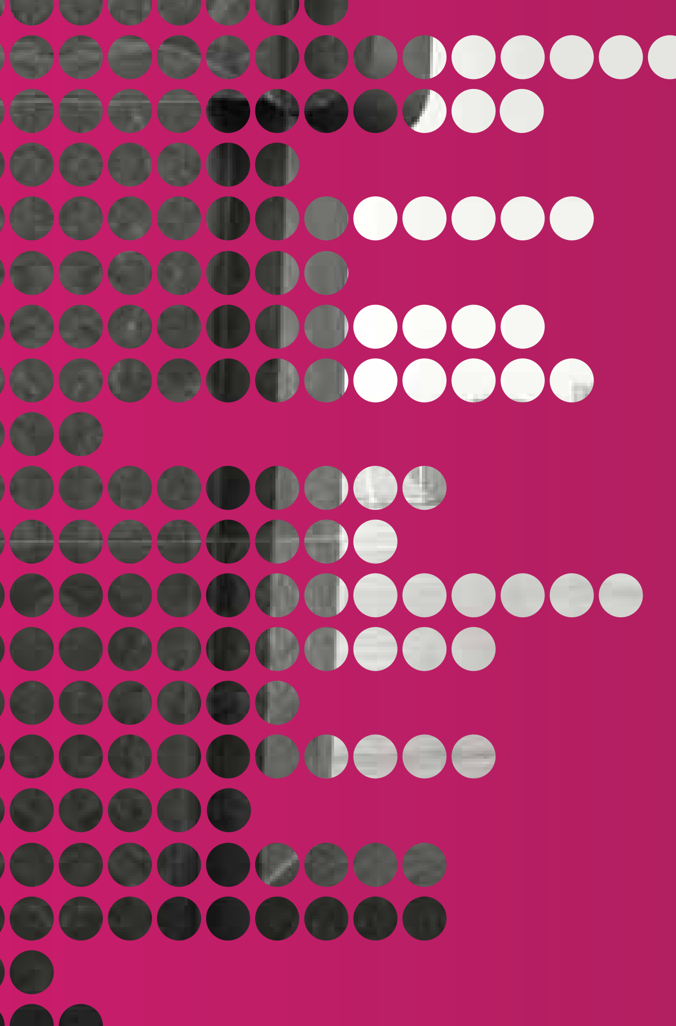
2007	2008	2009	2010
1,502	1,946	2,404	2,392

	2007	2008	2009	2010
REVENUE (QARm)	4,447	5,447	5,686	5,400
EBITDA (QARm)	2,925	3,399	3,296	2,878
EBITDA %	66%	62%	58%	53%

OPERATOR IMPORTANCE TO GROUP

Customers	3%
Revenue	20%
EBITDA	23%
Capex	19%

QTEL IN QATAR



As the leading communications provider in Qatar, Qtel – which was established as a public corporation in 1987 – has grown into one of the most diverse, innovative operators in the Middle East, delivering a range of world-class GSM, fixed, cable, entertainment, enterprise and technology services to consumers and businesses. With more than 20 years' experience in supporting the people of Qatar, Qtel continues to fuel a sense of excitement and satisfaction for the whole community.

In 2010, Qtel's positioning at the heart of one of the world's most dynamic economies generated significant value. With a GDP of approximately US$ 112.1 billion and GDP per capita of US$ 73K, Qatar continues to set a fast pace for development and Qtel plays a key role in supporting the network that enables this ongoing growth. A number of initiatives in 2010 provided significant scope for the launch of a new wave of high-end telecommunications solutions.

Dr. Nasser Marafih

CHIEF EXECUTIVE OFFICER

QTEL IN QATAR (CONTINUED)

HIGHLIGHTS OF 2010

With 2010 representing the first full year of competition in the Qatar market, Qtel saw significant success in maintaining market leadership. In addition to launching a range of key new strategic initiatives, the company also protected its market share through a clear focus on value and delivering the services that customers needed most.

Throughout the year, this balanced approach saw Qtel maintain its position as the strong market leader in Qatar. While the active customer base was marginally impacted – 2.39 million by the year-end, compared to 2.40 million in 2009 – full year revenue was 5.4 billion. Qtel's EBITDA margins remained solid, with an EBITDA of QAR 2.9 billion – a 53 percent margin.

Qtel is one of the top two largest contributors of revenue and EBITDA within the Qtel Group and the largest contributor of profit to shareholders. Qtel's successful strategy of diversification has seen the percentage contribution reduced to 20 percent against a growing overall revenue performance.

A number of key initiatives in 2010 provided the foundations for ongoing sustainable growth and development in Qatar. One of the most important launches was the roll-out of Fibre to the Home (FTTH), a nationwide network that will link homes across Qatar with fibre connections, replacing the existing copper cable and delivering high-speed, low-cost and clear connectivity. Announced in March 2010, the first trial phase in the West Bay area was already live and delivering impressive results for customers by the end of the year.

Qtel also supported a number of key brand initiatives in 2010. The Qtel brand was supported by a brand refresh campaign, "Fuel Your Senses," which was sustained through the year. The campaign, which provided a bold new look and feel for key Qtel brand assets, generated a strong response across key customer demographics.

Qtel also demonstrated its bold approach to innovation with a tie-up with the Virgin Group to launch Qtel's Virgin Mobile Service, a new brand aimed at the young and young-at-heart in Qatar. Launched in May 2010, the service has already won some passionate fans among the next generation, although a number of regulatory issues require resolution for the brand to reach its full potential.

To complement the refreshed brand identity, Qtel has invested in new concept customer service centres to deliver an enhanced customer experience. The nation's largest ATM network was expanded to 220 Self Service Machines across the country, further supported by the launch of a new Nomadic store as an innovative distribution channel.

Training to improve the customer experience was also enhanced in 2010, resulting in higher satisfaction results in a number of customer research programmes. For example, Qtel has set an 85 percent target for responding to faults within 24 hours. With new measures and enhanced practices in place, the company was achieving a 91 percent performance level by the end of 2010.

In parallel, the increased capacity of the national IVR system at the Qtel Contact Centre made it possible to automatically manage 440,000 calls a month, reducing the burden on staff and increasing the efficiency of call centre response times.

To fully support Qtel's innovation and technology strategy, the company created a Technology Business unit by merging Networks and IT to derive the synergies of optimised resource utilisation and to reduce the time to market of new products and services.

Recognising the growing importance and potential of mobile broadband for Qtel as a business line, Qtel continued to invest in a series of upgrades, including improvements to both indoor and outdoor 3G Network to enhance data rates to 21 Mbps. Qtel now offers ubiquitous mobile data connectivity across the country, including increased coverage and capacity. This investment was matched by investment in the fixed line network, including the completion of the Optical Transport Network deployment to offer agile and resilient transport services for both internal and external high end customers.

As part of our efforts to get closer to our customers, Qtel also initiated a permanent presence on social media in 2010. The company Facebook page has become the most popular in Qatar, with more than 60,000 friends at the end of the year.

All of this activity has been supported by consistent innovation in our product and service portfolio for business and consumer segments. Key launches included a series of BlackBerry upgrades, a Next Day installation service for fixed broadband customers, a range of new promotions on international calls and prepaid upgrades, as well as consistent value-led promotions across all sectors.

Product development was matched by the development of talent. In its endeavour to become the Employer of Choice in Qatar, Qtel continues to spend heavily on training of its staff, especially young Qatari nationals, to provide the next generation of business leaders. By end of 2010, the Qatarisation level at Qtel stood at over 38 percent.

This ongoing wave of investment was made possible in part by a cost saving and austerity programme in 2010, which looked to realise cash Opex efficiencies through cost rationalisation, staff efficiency, favourable vendor negotiations, outsourcing and deriving synergies with the Qtel Group.

THE NEXT STAGE IN THE QTEL JOURNEY

Within the consumer segment, Qtel will continue to defend its market value share, while at the same time growing new business areas. The company will continue to pursue a rational, value-driven approach to pricing and build upon its key strengths of a high quality network and superior customer experience.

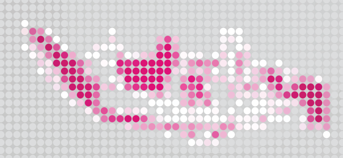
The outcomes of the Strategic Sector Review by ictQATAR are also set to be announced in 2011. If, as anticipated, Qtel is released from current restrictions related to tariff pre-approval, this is likely to enable a more flexible competitive strategy, which will benefit both the company and customers.

For the business and enterprise sector, there is significant potential for growth, with the introduction of a passive infrastructure license within Qatar, the government's plans for a National Broadband Network (NBN) and a significant investment in infrastructure necessitated by the ongoing growth of the economy and specifically for the 2022 World Cup. Qtel will benefit from this growth both as a provider of high-end communication solutions for a comprehensive range of industries, and also through wholesale agreements with all licensed passive infrastructure service providers.

This will be further enhanced through the ongoing progress of the FTTH programme, which is set to become the preferred option for home and business broadband in Qatar. Furthermore, the position of Qtel Qatar at the heart of the Qtel Group network will enable the company to leverage synergies and achieve strategic alignment as the voice hub for Qtel operations across the Middle East, North Africa and Asia. This will also help drive cost savings and generate revenue within Qatar.

Qatar continues to sit at the centre of Qtel Group operations and helps drive the culture of knowledge-sharing and innovation that has made the company so successful in 2010. With the initiatives undertaken over the past year successfully in place, Qtel Qatar will continue to build on its market leadership in the months and years ahead.

INDONESIA



	12M'10
Population[1]	237.6m
Mobile Penetration[2]	87%
Market Share[2]	20%

1. IMF, EIU
2. Wireless Intelligence, Qtel

TOTAL CUSTOMERS (MIL)

2007	2008	2009	2010
-	37,020	33,561	44,822

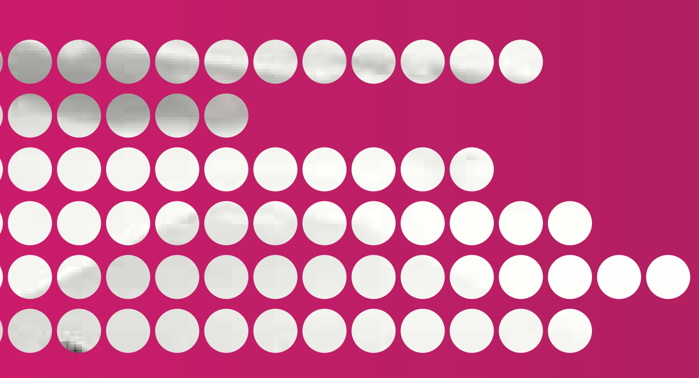
	2007	2008	2009	2010
REVENUE (QARm)	-	4,164	6,579	7,942
EBITDA (QARm)	-	2,080	3,207	4,034
EBITDA %	-	50%	49%	51%

OPERATOR IMPORTANCE TO GROUP

Customers	61%
Revenue	29%
EBITDA	32%
Capex	32%

"2010 has proven three things. First – where we at Indosat see challenges, we can overcome them. Second – our strategy to focus on value is right and it is working. Third – our team at Indosat is strong and, because of that, the progress we are making is strong too. I look forward to continuing this progress in 2011, building on the reputation for value, quality and innovation that we have worked hard this year to build."

Harry Sasongko Tirtotjondro
PRESIDENT, DIRECTOR AND CHIEF EXECUTIVE OFFICER



INDOSAT IN INDONESIA

ABOUT INDOSAT

Indosat is a fully integrated telecommunications network and services provider operating in Indonesia, the fourth most populous nation on earth. Indosat is the country's second largest mobile operator with over 44 million mobile customers connected to its nationwide network. As one of only two operators mandated to provide national and international long-distance telecommunications services, offering a broad and sophisticated product suite that spans voice, internet, data and VoIP, Indosat is a significant force in the country's communications market.

OWNERSHIP

The Qtel Group has a 65 percent stake in Indosat.

INDOSAT'S ACHIEVEMENTS

Indosat has made clear and confident progress in 2010, successfully implementing a value-driven strategy, solidifying its cellular market share, and laying the technological foundations necessary to maintain this progress in future years.

Indosat's focus on value underpins this year's progress. By removing obstructive and lower value calling card-type behaviour from its network and, at the same time, concentrating efforts on offering a better experience and wider choice to higher value subscribers, Indosat delivered four consecutive quarters of cellular market share growth in 2010. This impressive growth also owes much to Indosat's ongoing commitment to service innovation, with the company launching a range of sophisticated new products this year including the world's first hosted "BlackBerry on Demand" enterprise solution in April as well as SIM card technology to support the Apple iPad in July.

Network strength has also remained a priority in 2010, with Indosat implementing new technologies to support both current and potential future subscriber growth. The Indosat network is now DC HSPA+ ready, capable of offering mobile broadband speeds of up to 42 Mbps: the first network to offer such speeds in Asia. In July, the local and international financial communities signalled their satisfaction at this year's progress and their confidence in Indosat's future by backing a US$ 650 million Indosat-guaranteed senior note programme: the largest such offering made in 2010 by an Indonesian company.

The company has also remained mindful this year of the important role it plays in Indonesian society. Hit by a number of significant natural disasters in 2010, the people of Indonesia have often found themselves cut off from vital services and supplies. Throughout these difficult times Indosat has worked hard to support those affected, offering them free health services and free access to communications in order to help local communities recover and rebuild.

INDOSAT IN THE YEAR AHEAD

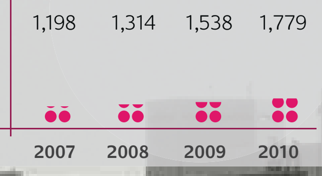
Indonesia's communications market continues to exhibit great potential for growth, supported by a growing economy with a large, young population. A number of Indonesian regions remain underpenetrated and Indosat's plans to extend its reach into these areas continue to move ahead. At the same time, new services and solutions offer a further avenue for growth, particularly in the small and medium sized enterprise segment and in the field of data centre and managed services.

KUWAIT

	12M'10
Population[1]	3.7m
Mobile Penetration[2]	125%
Market Share[2]	41%

1. IMF, EIU
2. Wireless Intelligence, Qtel

TOTAL CUSTOMERS (MIL)



	2007	2008	2009	2010
REVENUE (QARm)	2,221	3,070	2,580	2,827
EBITDA (QARm)	1,137	1,632	1,188	1,261
EBITDA %	51%	53%	46%	45%

OPERATOR IMPORTANCE TO GROUP

Customers	2%
Revenue	10%
EBITDA	10%
Capex	6%

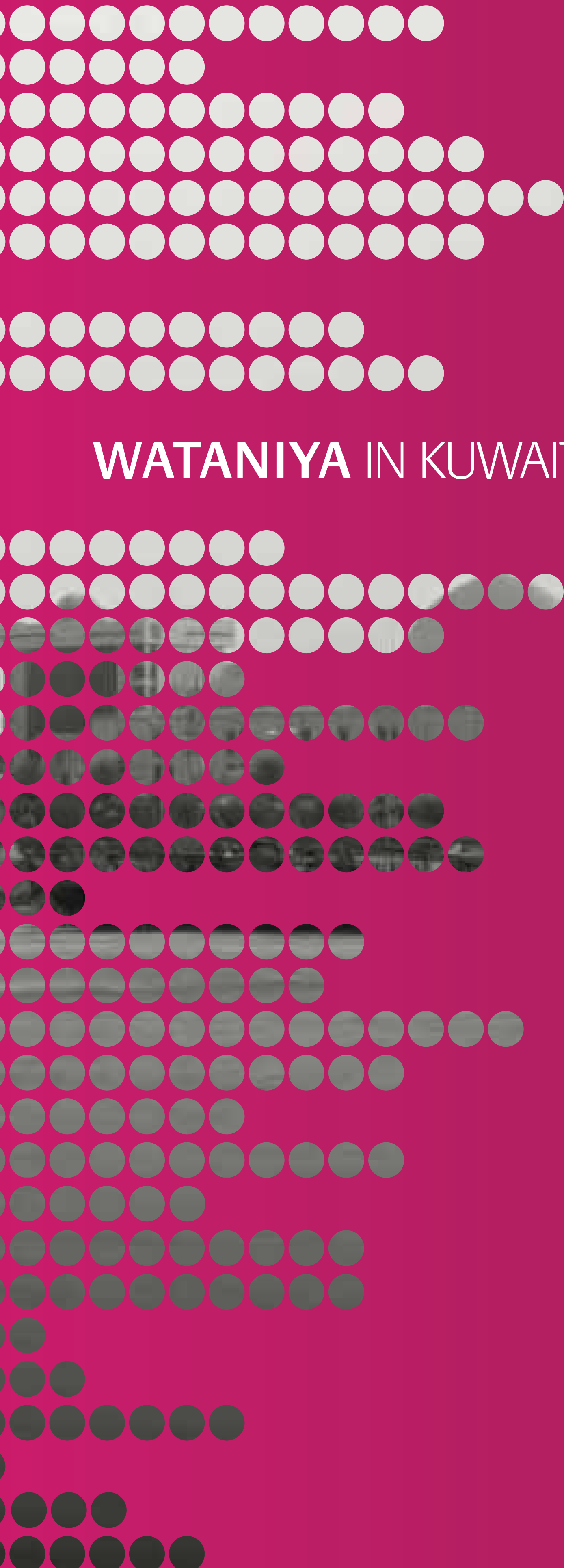
ABOUT WATANIYA KUWAIT

Wataniya is the second largest mobile telecommunications operator in Kuwait: one of the most competitive, demanding and fast-paced mobile markets in the Gulf region. Serving a significant share of Kuwait's mobile customers, Wataniya has built its success on three strategic pillars: offering innovative services, providing excellent network quality and delivering outstanding customer service.

Wataniya Kuwait brings a wide range of pre-paid and post-paid mobile voice and data services to both individual and corporate customers. Its data services offer a secure wireless and mobile Internet service. Wataniya also provides a suite of business efficiency tools for corporate customers under the WPro brand as well as a number of segment-specific programmes and plans, such as Wink for youth and InTouch for foreigners living in Kuwait. Over and above this, Wataniya has introduced new value-added services such as "Follow Me," "I-Move-To" and "Friends and Family" that enable customers to optimise their experience with Wataniya.

"We continue to demonstrate a clear sense of what drives and excites our customers and I am proud of the strong, respected position our revitalised brand occupies in Kuwait. We have worked hard to earn this trust and loyalty, choosing to focus on what we believe matters most to our customers: a high quality of service. Whatever the market challenges, we believe that this dedication to service will enable us to continue our progress in the year ahead."

Scott Gegenheimer
CHIEF EXECUTIVE OFFICER



WATANIYA IN KUWAIT

OWNERSHIP

The Qtel Group holds a 52.5 percent stake in Wataniya Telecom (NMTC) which is a listed stock on the Kuwait Stock Exchange. NMTC is the legal entity owning shares in Wataniya Maldives, Bravo, Tunisiana, Nedjma and Wataniya Palestine.

WATANIYA KUWAIT'S ACHIEVEMENTS

In Kuwait's highly competitive communications marketplace, Wataniya continues to occupy a strong market position. This strong positioning is the result of Wataniya's unrelenting strategic focus on service excellence, supported by its strong in-market brand presence and by a targeted product suite focused on clear market segments.

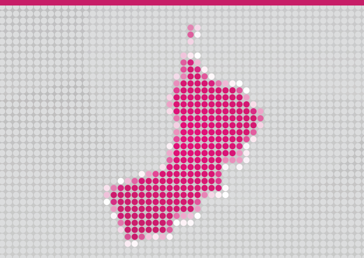
An important focus for Wataniya this year has been rewarding customer loyalty. Launched in October, the "Wataniya Rewards Programme" provides customers with a range of telecom and non-telecom rewards redeemable with local businesses, based upon their network usage. In addition to rewarding loyalty, Wataniya has also paid careful attention this year to ensuring the ongoing satisfaction of its subscriber base. This has taken the form of ongoing network improvements, such as the introduction of a third core data centre as well as upgrades to support the roll out of high speed HSPA+ broadband services. The roll out of new services has also played its part, particularly in the enterprise segment where Wataniya's "WPro" business arm has started to capitalise on the currently underserved, but growing, "small and home enterprise" market. In addition, Wataniya Kuwait launched an exclusive programme for its high-end customers called "The W's" which caters exclusively to their luxury needs.

The Wataniya brand – already strong in the Kuwaiti market – also received a significant boost this year, refreshed and enhanced to further differentiate the company from its competitors. Harnessing the deep connections Wataniya enjoys with its many subscriber groups, the initiative launched to great acclaim in June of this year. As a result, Wataniya earned for the second year running the internationally coveted "Superbrand" status, as well as receiving the "CommsMEA Editors Award" for best practice and the "Super Hero Award" for best telecom operator: all in recognition of its reputation and strength within the marketplace.

WATANIYA KUWAIT IN THE YEAR AHEAD

Wataniya enters 2011 in a strong position, well placed to continue to meet the challenges and reap the rewards of operating in the highly dynamic Kuwaiti market. Competition remains high, but opportunities continue to exist in the shape of new segments and new services, particularly in data and value-added services. By harnessing the power of its brand, and by focusing on offering exemplary customer experiences, Wataniya will aim to make further progress in 2011.

OMAN



	12M'10
Population[1]	3.1m
Mobile Penetration[2]	139%
Market Share[2]	44%

1. IMF, EIU
2. Wireless Intelligence, Qtel

TOTAL CUSTOMERS (MIL)

2007	2008	2009	2010
1,017	1,511	1,861	2,033

	2007	2008	2009	2010
REVENUE (QARm)	894	1,318	1,625	1,864
EBITDA (QARm)	241	508	827	968
EBITDA %	27%	39%	51%	52%

OPERATOR IMPORTANCE TO GROUP

Customers	3%
Revenue	7%
EBITDA	8%
Capex	10%

ABOUT NAWRAS

Nawras is Oman's second full-service operator, commanding a significant share of the country's mobile customers based on an enviable track record for service innovation, quality and reach. Today, Nawras delivers a wide range of mobile, fixed and Internet services across advanced wireless and fibre networks, having delivered excellent growth since becoming the first of Qtel's international ventures in 2005. From the launch of 3G+ wireless broadband services in 2007 to the award of the Sultanate's second fixed telecommunications license in 2009 and launch of its international gateway, corporate fibre services and home fixed and broadband services in 2010, Nawras has long set the pace of change in Oman's telecommunications market. Today, following the successful completion this year of its IPO, Nawras is not only a leading operator but also one of the largest companies listed on the Muscat Securities Market.

"2010 has been an extremely rewarding year for Nawras, transforming the scope and maturity of our business and confirming our position as one of the leading corporate citizens in Oman. We enter 2011 as a truly "full-service" communications provider, combining our rich heritage in mobile with a new range of fixed voice and broadband services. Nawras will once again offer a truly fresh approach in our market with a continued priority being our customers and our employees. Proud of our Omani heritage and encouraged by our new status as a leading public company, we look forward to 2011 with confidence and with excitement."

Ross Cormack
CHIEF EXECUTIVE OFFICER

NAWRAS IN OMAN

OWNERSHIP

The Qtel Group has a 55 percent effective economic stake in Nawras.

NAWRAS' ACHIEVEMENTS

2010 marks a year of achievement, expansion and transformation both for Nawras and for the market in which it operates. The company's launch this year of fixed line and home broadband services has transformed Nawras into a full-service operator, opening up a wealth of new opportunities for Nawras to pursue. Nawras has prepared the necessary infrastructure to target these opportunities, implementing a sophisticated network of fibre-optic, microwave and WiMAX technologies as well as unveiling the company's own International Gateway to take advantage of increasing levels of international traffic.

At the same time, Nawras has continued to devote significant energy to growing and maintaining its strong position in its core mobile market. Mobile penetration in Oman continued to grow in 2010 and against this background Nawras maintained its strong track record for customer growth. Even in the face of increased competition from resellers, in August Nawras reached the important landmark of two million customers on its network. This significant achievement owes much to Nawras' continuing focus on service innovation and its ongoing reward programme for its most loyal "Elite" customers.

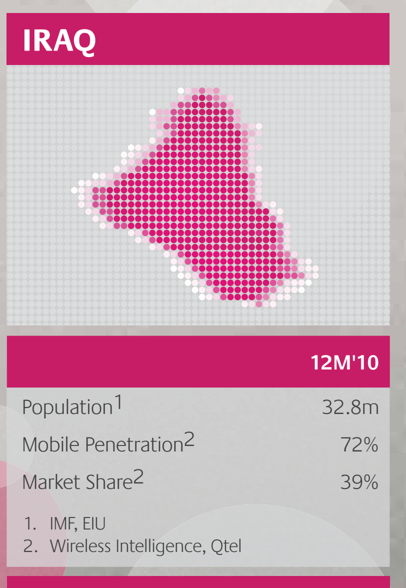
Alongside both of these developments, Nawras also succeeded this year in transforming its own status into one of the most significant public companies in Oman. By raising over US$ 470 million in the second largest IPO ever staged in Oman, Nawras officially became a public traded company on November 1 and now ranks as the fourth company in terms of Market Capitalisation listed on the Muscat Securities Market.

NAWRAS IN THE YEAR AHEAD

With so much achieved in 2010, the core focus for Nawras in 2011 will be to capitalise on the gains already made and to remain committed to being a lean, efficient and service-driven operator. As a full-service operator with a commanding brand presence, numerous opportunities now exist for Nawras to pursue a range of new revenue streams.

These new revenue streams are clearly present in the domestic market, such as existing efforts to engage in the growing mobile and fixed broadband market and increasing opportunities to take share in the business segment. They also exist in the efforts to capture an increased share of the growing international carrier business. Network enhancements, such as the switch-on of the Tata Gulf Cable scheduled for 2011 should allow Nawras to compete for, capture and service this demand. Most importantly, however, when pursuing these opportunities Nawras will seek to remain true to the values that have driven its growth over the past five years: a commitment to striving for excellence, a commitment to a caring approach to its customers and employees and, above all, a commitment to providing the company's loyal customers with a pleasingly different customer experience.

IRAQ



	12M'10
Population[1]	32.8m
Mobile Penetration[2]	72%
Market Share[2]	39%

1. IMF, EIU
2. Wireless Intelligence, Qtel

TOTAL CUSTOMERS (MIL)

2007	2008	2009	2010
4,290	6,107	7,351	8,130

	2007	2008	2009	2010
REVENUE (QARm)	732	2,847	3,998	5,054
EBITDA (QARm)	373	1,502	2,162	2,621
EBITDA %	51%	53%	54%	52%

OPERATOR IMPORTANCE TO GROUP

Customers	11%
Revenue	19%
EBITDA	21%
Capex	20%

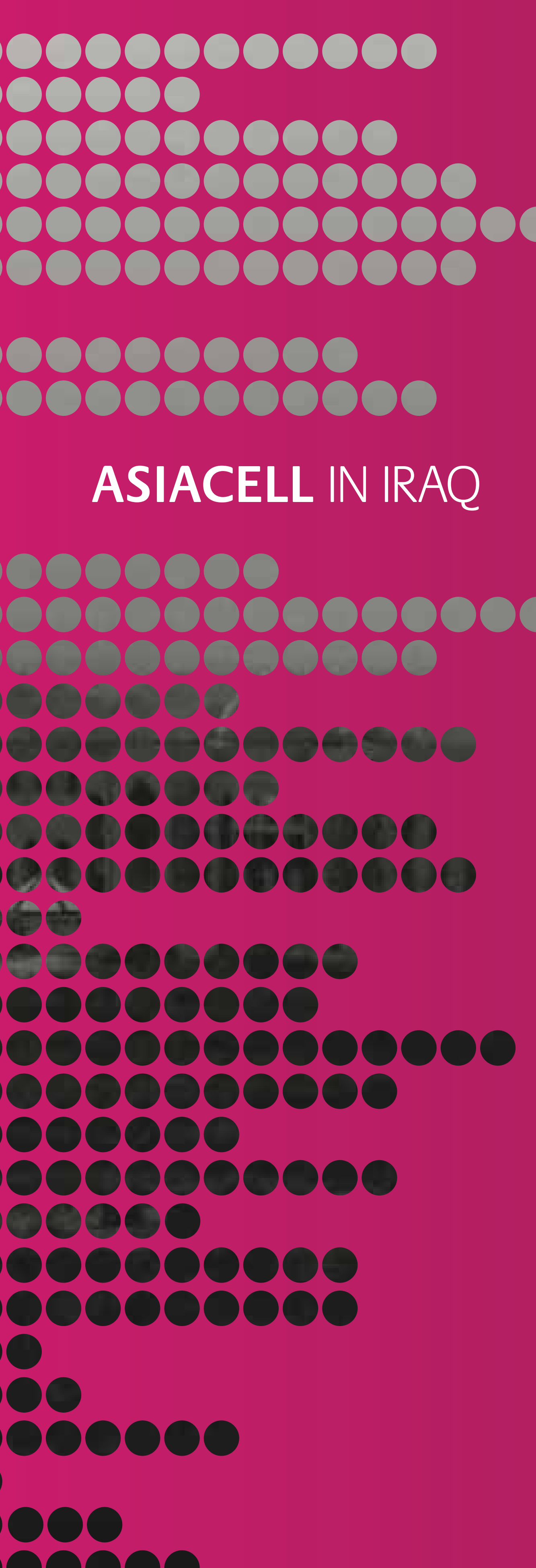
ABOUT ASIACELL

As the first company to introduce mobile services to the country, Asiacell has a long and proud connection with the people and nation of Iraq. In a joint-venture started in 2007, and in partnership with prominent members of the Iraqi business community, the Qtel Group and Asiacell won a competitive bid for a long-term, fifteen-year mobile license in Iraq: a significant milestone in the development of Iraq's communications market.

Since that moment Asiacell has not looked back. The company has delivered rapid coverage and revenue growth and continues to set ever-higher standards of quality and service. In its capacity as the country's second largest mobile operator by number of customers, Asiacell serves more than a third of all Iraqi mobile customers with a wide range of critical mobile services including GPRS, SMS, MMS and voicemail delivered across its national mobile network, reaching from Dhok in the north to Basra in the south.

"I am extremely proud of the significant progress we have made in 2010. We have advanced our growth plans, enhanced and secured our technology platform, and remained fully committed to meeting and exceeding the needs of our rapidly expanding customer base. The Iraqi marketplace remains competitive, but it also remains a richly rewarding market in which to operate. Through continued service innovation, and by rewarding our customers for their ongoing loyalty, we believe 2011 holds further opportunities for growth at Asiacell."

Dr. Diar Ahmed
CHIEF EXECUTIVE OFFICER



ASIACELL IN IRAQ

OWNERSHIP

The Qtel Group has a 30 percent effective economic stake in Asiacell.

ASIACELL'S ACHIEVEMENTS

2010 has proven to be yet another transformational year for Asiacell. Following on from the strong subscriber growth achieved in 2009, Asiacell has continued to increase its subscriber base this year by leveraging its country-wide network. At the same time, Asiacell has delivered a number of significant enhancements this year to both its infrastructure and its service line. These efforts combined have resulted in Asiacell delivering revenue growth in 2010 of more than 25 percent: a significant achievement in what remains a challenging and competitive marketplace.

With programmes to improve the reliability and capability of the Asiacell network an ongoing focus, the company has been able to launch a range of advanced new services this year to its customers. Within Iraq, customers nationwide are now able to benefit from per-second billing in Iraqi Dinars as well as enjoy access to an innovative mobile banking service. Asiacell has also continued to benefit from and leverage its strong position within the Qtel Group by introducing an attractive first phase BlackBerry trial to key customers in 2010: a trial made possible as a result of the Group's broad purchasing power.

International enhancements have also been made, with GPRS roaming coverage now extended to over fifty countries and the option introduced for all customers to benefit from pre-paid roaming services whenever they travel abroad. Asiacell customers now also enjoy access to international MMS services, enhancing the way in which they communicate with their friends and family, and aiding Asiacell's strategic shift towards offering higher value, higher revenue services.

ASIACELL IN THE YEAR AHEAD

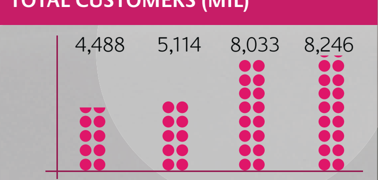
The local economic and political situation in Iraq continues to evolve and, with no national fixed-line network in place, mobile communications remain the mainstay of daily business and social interaction across the country. Against this backdrop, Asiacell remains well placed not only to grow and build its business, but also to take a lead role in shaping the ongoing evolution of the Iraqi communications market. By focusing on building new offers and services for the emerging enterprise segment, as well as continuing to reward and retain existing loyal customers, Asiacell looks forward to making further progress in 2011 in what remains an excellent market offering a significant opportunity.

ALGERIA

	12M'10
Population[1]	36.0m
Mobile Penetration[2]	74%
Market Share[2]	31%

1. IMF, EIU
2. Wireless Intelligence, Qtel

TOTAL CUSTOMERS (MIL)



	2007	2008	2009	2010
REVENUE (QARm)	1,068	1,768	1,795	2,228
EBITDA (QARm)	217	509	590	841
EBITDA %	20%	29%	33%	38%

OPERATOR IMPORTANCE TO GROUP

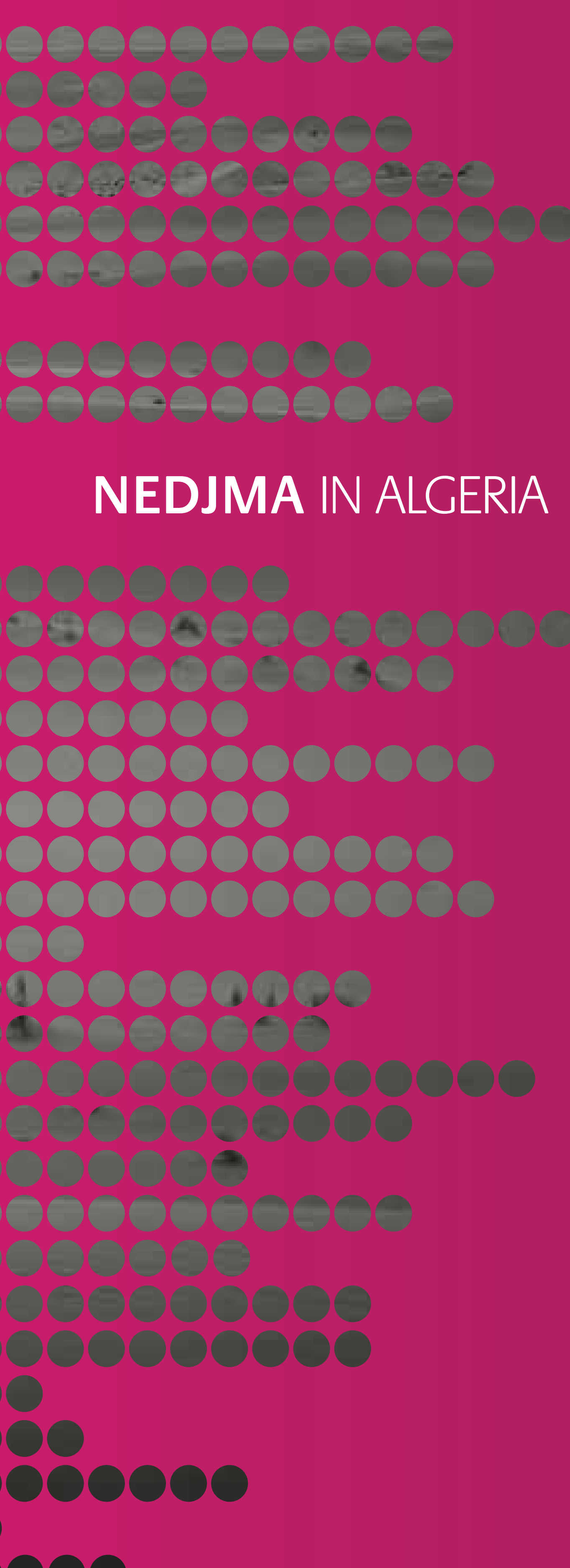
Customers	11%
Revenue	8%
EBITDA	7%
Capex	8%

ABOUT NEDJMA

Branded as Nedjma, Wataniya Telecom Algeria commenced operations in 2004. Starting out life as Algeria's third mobile operator, today Nedjma commands second place in this populous and exciting North African mobile marketplace. As one of the most instantly recognisable brands in the country, Nedjma offers its subscribers value-for-money mobile voice, data and multimedia services delivered across a nationwide EDGE-ready network.

"We have worked hard this year to maintain our customer growth momentum, to ensure the resilience of our network and to provide our customers with the high quality service they expect from Nedjma. I am proud of the progress we have made against each of these key goals and encouraged by our early efforts to attract higher-value subscribers to our brand. In 2011 we will maintain these efforts, remaining focussed on meeting new and emerging customer needs with exciting and innovative solutions."

Joseph Ged
CHIEF EXECUTIVE OFFICER



NEDJMA IN ALGERIA

OWNERSHIP

The Qtel Group controls Wataniya (NMTC) by owning a 52.5 percent stake. The Qtel Group, directly through its own entities and indirectly through NMTC, holds an 80 percent stake in the operations of Nedjma. This gives the Qtel Group a 46.3 percent effective economic stake in Nedjma.

NEDJMA'S ACHIEVEMENTS

Nedjma has paid careful attention this year both to customer acquisition and customer satisfaction. After the significant increase in subscriber numbers achieved late in 2009 and early 2010, the company has worked hard to ensure that both new and existing customers enjoy the high quality, reliable and innovative service they expect from Nedjma.

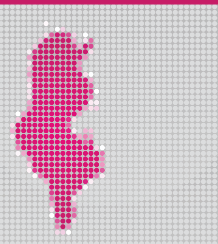
At the same time much attention has been focused on the network. This year saw Nedjma commence the initial stages of an important network improvement programme, ensuring better efficiency and enhanced capacity as well as preparing the way for potential 3G services in the near future. The company has also implemented an important strategic partnership with its suppliers in order to improve the quality and effectiveness of managing Nedjma's nationwide network. Rewarding customer loyalty has also played an important part in this year's efforts to ensure customer satisfaction, with Nedjma's Noudjoum loyalty programme continuing to help increase customer retention and spending.

Nedjma has also continued to innovate in 2010, launching new services to capture higher-value customers and meet their challenging demands. In this capacity, in 2010 Nedjma managed to double its market share of the key enterprise segment. As in other parts of the world, Algeria's young population is embracing the use of social networking and instant messaging services although low "at-home" Internet penetration in the country has held back its development. To circumvent this problem, and to capitalise on this growing trend, Nedjma has launched Nedjma.net – a pioneering service that brings a range of leading social networking and chat applications on to its network and direct to the mobile phone. 2010 also saw the launch of Nedjma's Stormily money transfer service, which allows Nedjma customers to transfer funds between Nedjma users as top-ups and is quickly developing into an important new revenue stream for the company.

NEDJMA IN THE YEAR AHEAD

In 2011 Nedjma will continue its efforts to attract higher value subscribers as well as taking advantage of possible opportunities for new services and solutions. Algeria's largely under-developed banking infrastructure represents one such area, with mobile payments one possible focus for innovation in the year ahead. Nedjma also hopes to make further progress in accessing opportunities for growth in Algeria's southern region, dedicating resources to stimulating sales and presence in this part of the country.

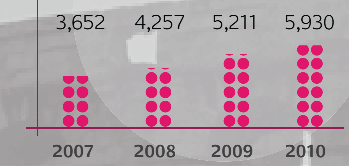
TUNISIA



	12M'10
Population[1]	10.7m
Mobile Penetration[2]	106%
Market Share[2]	54%

1. IMF, EIU
2. Wireless Intelligence, Qtel

TOTAL CUSTOMERS (MIL)



	2007	2008	2009	2010
REVENUE (QARm)	849	1,344	1,299	1,287
EBITDA (QARm)	423	703	701	713
EBITDA %	50%	52%	54%	55%

OPERATOR IMPORTANCE TO GROUP

Customers	8%
Revenue	5%
EBITDA	6%
Capex	3%

ABOUT TUNISIANA

Launched in 2002 as Tunisia's first privately owned telecommunications company, Tunisiana's arrival marked a step-change in the country's communications market. Since that time, Tunisiana has grown to become not only the country's number one mobile operator with more than fifty percent market share but also one of the country's most trusted and recognised brands. Each day Tunisiana's truly national network delivers a range of pre-paid and post-paid voice and data services to more than five million individual and business customers across this North African nation.

"Tunisiana continues to represent the dominant force in the Tunisian telecom space and we have maintained our leadership position this year by squaring up to the challenge of increased competition and meeting it head-on. By harnessing the power of our brand and the loyalty of our customer base we have further deepened our presence in this exciting market and we look forward with confidence to 2011."

Yves Gauthier
CHIEF EXECUTIVE OFFICER

TUNISIANA IN TUNISIA

OWNERSHIP

The Qtel Group holds a 52.5 percent stake in Wataniya (NMTC), which holds a 50 percent stake in the operations of Tunisiana. This gives the Qtel Group a 26.3 percent effective economic stake in Tunisiana.

TUNISIANA'S ACHIEVEMENTS

Tunisiana has performed well in 2010, successfully maintaining its market leadership position and delivering a slight increase in market share despite the entrance this year of a third operator to the market. Increased and targeted investment in service offerings and marketing, as well as continued network modernisation efforts, have both played an important role in delivering this solid performance.

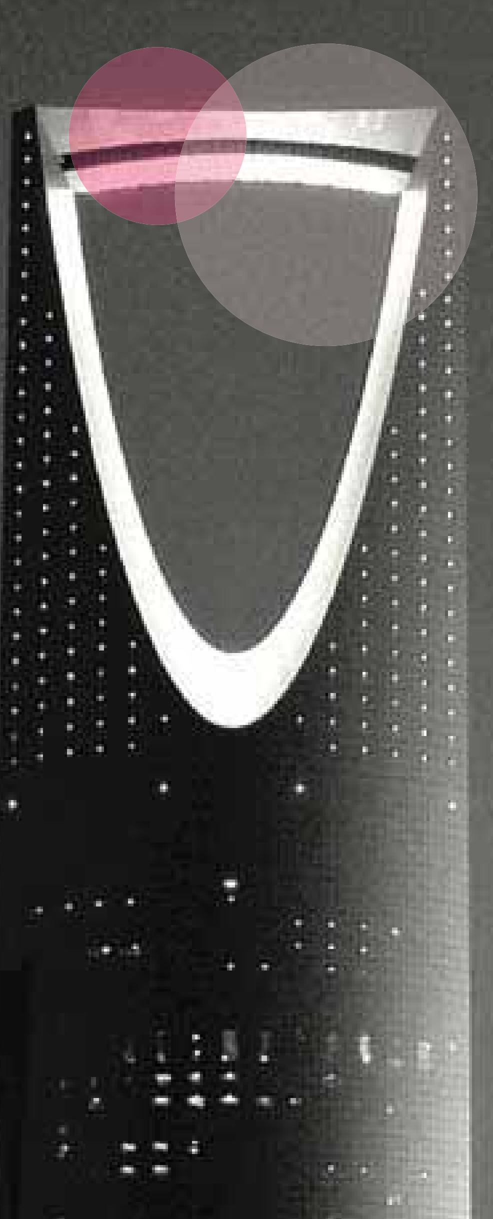
Marketing initiatives that target distinct and valuable "communities" of subscribers have been implemented this year and these initiatives have delivered impressive results. Offers and services tailored for friends, families, youth users, business users and regular travellers have each helped to deliver an increase in subscriber numbers as well as reduce overall subscriber churn. The business segment has benefited from particular targeting. A large-scale marketing campaign has succeeded in migrating a number of key business subscribers on to longer term contracts, enhancing revenue predictability in this important segment.

New and unique services have also been launched to enhance the attractiveness of Tunisiana's network. These include the launch of a BlackBerry service for home and business subscribers as well as a landmark partnership with Facebook that will see Tunisiana among the first operators in the world to launch Facebook's "Zero" mobile platform. The Tunisiana network has also continued an infrastructure programme in 2010 in order to support these initiatives. More than sixty percent of traffic has now been successfully migrated to a new network core and some 550 kilometres of optical fibre have been rolled out.

TUNISIANA IN THE YEAR AHEAD

The Tunisian mobile market is extremely dynamic, driven by changing and ever-more sophisticated demands from consumers: particularly the country's energetic youth population. Mobile payments represent one possible area for revenue growth and diversification in 2011, where Tunisiana is already recognised as a leading force, as well as mobile advertising and the ongoing growth in social networking usage. 3G technology also presents opportunities for growth in the years ahead, with Tunisiana well placed to deliver the increased range of data and convergent services that 3G can support.

KSA



	12M'10
Population[1]	26.7m
Mobile Penetration[2]	190%
Market Share[2]	N/A

1. IMF, EIU
2. Wireless Intelligence, Qtel

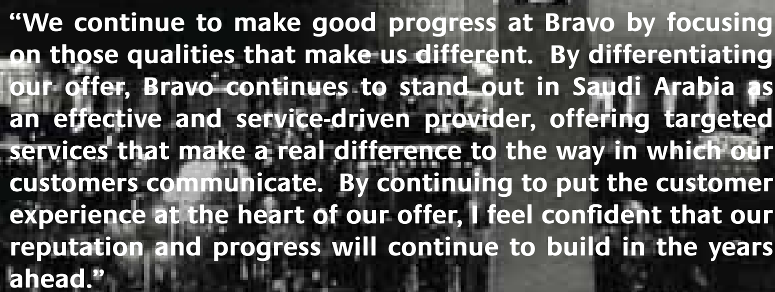
TOTAL CUSTOMERS (MIL)

2007	2008	2009	2010
92	149	186	201

	2007	2008	2009	2010
REVENUE (QARm)	277	269	255	282
EBITDA (QARm)	(58)	(84)	(29)	13
EBITDA %	-	-	-	5%

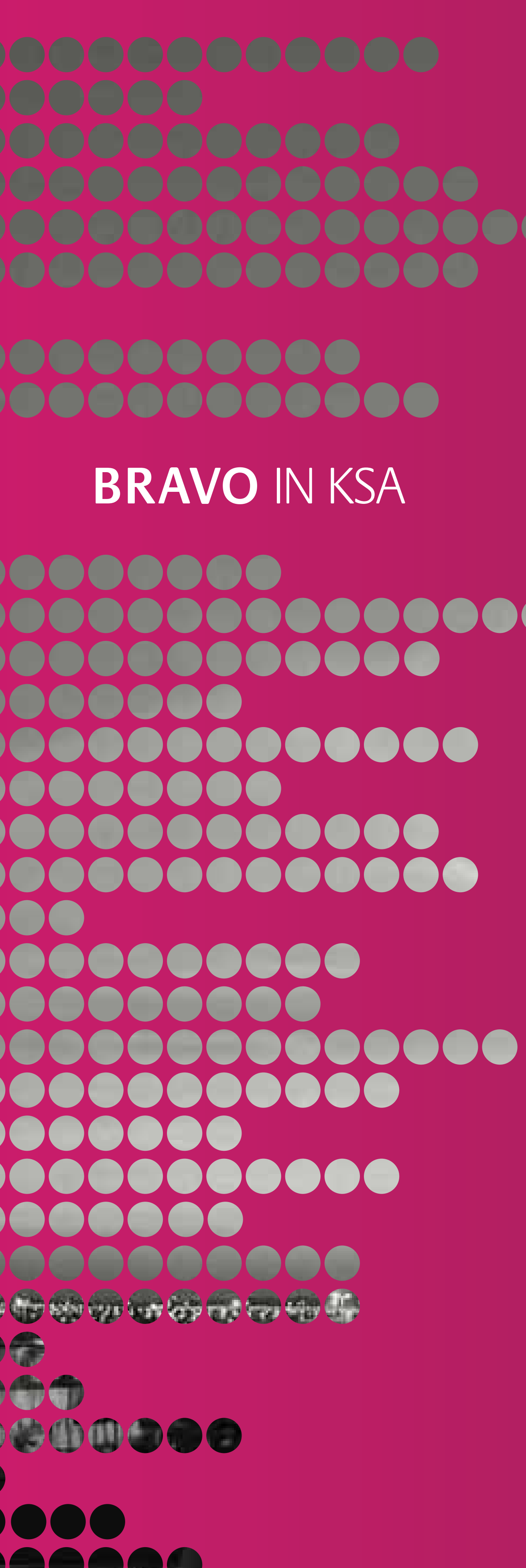
OPERATOR IMPORTANCE TO GROUP

Customers	0.3%
Revenue	1%
EBITDA	0.1%
Capex	0.4%



"We continue to make good progress at Bravo by focusing on those qualities that make us different. By differentiating our offer, Bravo continues to stand out in Saudi Arabia as an effective and service-driven provider, offering targeted services that make a real difference to the way in which our customers communicate. By continuing to put the customer experience at the heart of our offer, I feel confident that our reputation and progress will continue to build in the years ahead."

Eng. Mohammed Bin Abdul Aziz Al-Ageel
CHIEF EXECUTIVE OFFICER



BRAVO IN KSA

ABOUT BRAVO

Bravo entered the Saudi Arabian market in 2005 as the country's first specialised push-to-talk ("PTT") provider, offering PTT and cellular communication services to the business and government sectors. Today, Bravo's solutions are used by a wide range of organisations which need to connect and manage large numbers of employees or related groups in a flexible, efficient and cost-effective way. Bravo's customer base spans a wide range of business and government institutions, each benefiting from the mobile voice, messaging, GPS-based tracking and even data services provided by Bravo across its iDEN-based nationwide wireless network.

OWNERSHIP

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which holds a 55.6 percent stake in the operations of Bravo. This gives the Qtel Group a 29.2 percent effective economic stake in Bravo.

BRAVO'S ACHIEVEMENTS

In the competitive Saudi communications arena, Bravo's key strengths remain the effectiveness and differentiated nature of its offering as well as the company's constant focus on customer value and service. The Bravo team has continued to enhance both of these core strengths in 2010, investing in network technology and paving the way for new service lines and ever-higher standards of service. Bravo launched a range of new services in 2010, including the ability to offer balance transfers between individual company handsets, the capability to issue pages and tailored alerts across a company's network, as well as a series of targeted and highly effective work-management applications: each centred on Bravo's keen understanding of its customers' needs and challenges.

BRAVO IN THE YEAR AHEAD

Bravo aims to become the PTT provider of choice for the government and business sectors of Saudi Arabia. As the Saudi Arabian economy continues to grow, so too will Bravo aim to keep pace with the ever-changing and increasingly sophisticated requirements of the country's enterprise sector. By continuing to place the customer experience at the heart of its strategy, Bravo will seek to build in 2011 on the important progress made this year.

MALDIVES

	12M'10
Population[1]	0.325m
Mobile Penetration[2]	122%
Market Share[2]	21%

1. IMF, EIU
2. Wireless Intelligence, Qtel

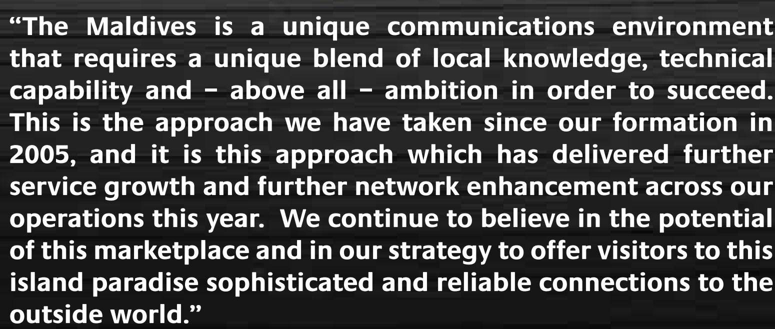
TOTAL CUSTOMERS (MIL)

2007	2008	2009	2010
65	102	102	111

	2007	2008	2009	2010
REVENUE (QARm)	48	76	97	117
EBITDA (QARm)	(1)	(1)	5	15
EBITDA %	-	-	6%	13%

OPERATOR IMPORTANCE TO GROUP

Customers	0.1%
Revenue	0.4%
EBITDA	0.1%
Capex	0.6%



"The Maldives is a unique communications environment that requires a unique blend of local knowledge, technical capability and – above all – ambition in order to succeed. This is the approach we have taken since our formation in 2005, and it is this approach which has delivered further service growth and further network enhancement across our operations this year. We continue to believe in the potential of this marketplace and in our strategy to offer visitors to this island paradise sophisticated and reliable connections to the outside world."

Abraham Smith
CHIEF OPERATING OFFICER

WATANIYA IN THE MALDIVES

ABOUT WATANIYA IN THE MALDIVES

Commencing operations in the Maldives in 2005, Wataniya is today able to offer mobile and data services across all of the inhabited islands of this Indian Ocean nation. Supporting a vibrant economy centred on tourism, Wataniya provides a range of mobile services to the Maldives' numerous international visitors and local inhabitants, delivered across the country's first ever 3G and HSDPA-ready network. Wataniya Maldives continues to execute to its long-term strategy, focusing on increasing network coverage, penetration and the availability of data services, particularly in the country's growing resort sector.

OWNERSHIP

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which holds 100 percent of the operations of Wataniya in the Maldives. This gives the Qtel Group a 52.5 percent effective economic stake in Wataniya in the Maldives.

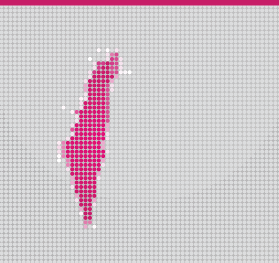
WATANIYA IN THE MALDIVES: ACHIEVEMENTS

Wataniya Maldives has made further strategic advances this year, pressing ahead with its strategy to serve the needs of both the local population as well as the demands of the many tourists who visit this island nation every year. The company's strategy to increase its coverage of leading tourist resorts has continued to progress, with additional resorts now "on air" and connected to the Wataniya network. The strength, quality and capability of this network have also continued to improve in 2010. Wataniya Maldives' 3G optimisation programme has continued its roll-out efforts to expand 3G coverage in key resorts, extending the speed and reliability of 3G connectivity to the international guests and local employees of more resorts than ever before. These new network enhancements have also enabled Wataniya Maldives to augment its service offering, with particular focus being placed this year on a popular expansion of broadband services across the country.

WATANIYA IN THE MALDIVES: THE YEAR AHEAD

The foundation of economic growth in the Maldives remains the tourist industry: an industry which continues to benefit from and support Wataniya Maldives' expansion. In the year ahead the company will continue to pursue a strategy of both extending the connectivity of the network to key tourism "hot spots" as well as increasing the scope and sophistication of the services offered over that network.

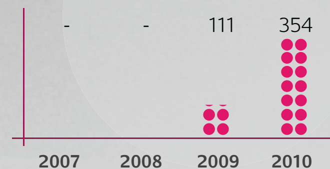
PALESTINE



	12M'10
Population[1]	4.0m
Mobile Penetration[2]	68%
Market Share[2]	20%

1. IMF, EIU
2. Wireless Intelligence, Qtel

TOTAL CUSTOMERS (MIL)



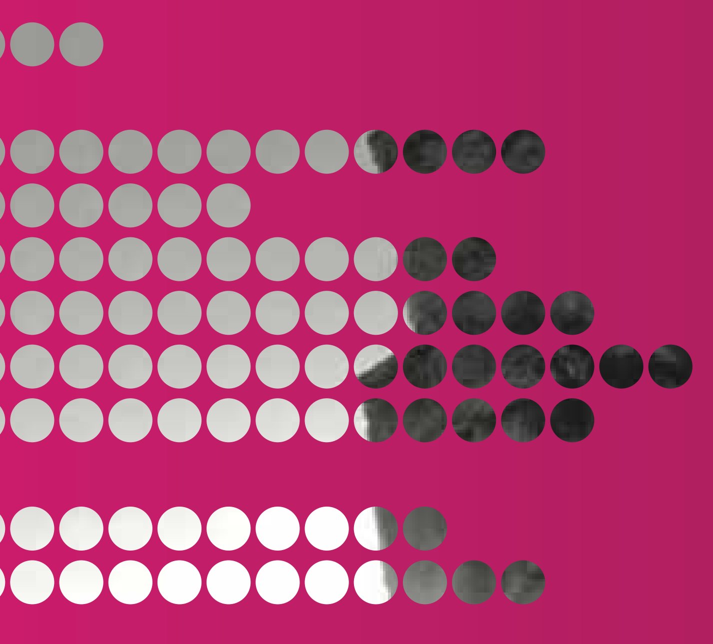
	2007	2008	2009	2010
REVENUE (QARm)	-	-	8	140
EBITDA (QARm)	-	-	(74)	(79)
EBITDA %	-	-	-	-

OPERATOR IMPORTANCE TO GROUP

Customers	0.5%
Revenue	0.5%
EBITDA	N/A
Capex	0.3%

"2010 marks yet another year of transformation and progress for Wataniya in Palestine. In our first full year of commercial operations we have brought new services, set new standards and introduced a new approach to the Palestinian mobile market, putting the customer first and working to help them with their unique communications needs. Now, as a public company that is proud to serve the people of the West Bank, we aim to build our network further, our service offering and our reputation for quality and value in the year ahead."

Bassam Hanoun
CHIEF EXECUTIVE OFFICER



WATANIYA IN PALESTINE

ABOUT WATANIYA PALESTINE

Wataniya is the second licensed mobile operator in Palestine. Awarded its license in 2007 through a competitive process, 2010 marked Wataniya's first full year of commercial operations after the succesful launch of services in the West Bank in November 2009. Following the highly succesful completion in January 2011 of the company's Palestinian IPO, Wataniya enters the coming year as a public company poised to become a significant player in the Palestinian mobile market, offering a population of approximately four million people the opportunity to enjoy a communications service based on network quality, reliability and choice.

OWNERSHIP

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which following the IPO holds a 48.5 percent stake in the operations of Wataniya in Palestine. This gives the Qtel Group a 25.4 percent effective economic stake in Wataniya in Palestine.

WATANIYA PALESTINE'S ACHIEVEMENTS

Wataniya made excellent progress in 2010, using the company's first full year of commercial operations to broaden its reach, entrench its network and extend its services across the West Bank. Following the launch of further transmission sites, Wataniya is now able to reach 95 percent of the Palestinian population and is already serving over 350,000 subscribers with a range of mobile services. Keen to ensure that these important subscribers enjoy a service that meets international standards for "best practice," the company also implemented a number of new technologies in 2010 to enhance the resiliency and manage the capacity of its important network.

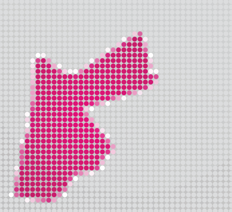
Taking advantage of this enhanced network, Wataniya has re-invigorated its product offering with a range of services focused on enhancing value. At the same time, the company has improved and invested in its distribution channels to maximise Wataniya's own effectiveness, as well as a continued focus on customer care.

As Wataniya's service and reach have transformed, so has the company's own status. Started in 2010 and completed in early 2011, Wataniya's highly successful IPO has secured it a position as one of the most important public companies in Palestine. With the local offering of 38.7 million shares over-subscribed by more than one and a half times, Wataniya enters 2011 with an even deeper connection to the Palestinian people and their economy.

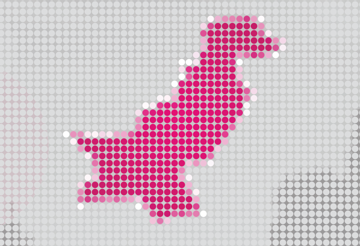
WATANIYA PALESTINE IN THE YEAR AHEAD

The Palestinian communications market continues to offer strong long-term prospects for growth which should, in turn, support the wider growth of Palestine's economy. Wataniya intends to move forward in 2011, supporting these growth prospects by laying further foundations for the future shape of its network. At the same time, Wataniya will seek to capitalise on the enhanced recognition of its brand brought about by the success and high visibility of its IPO, taking advantage of opportunities to target new segments and offer new services in this continually evolving marketplace.

JORDAN



PAKISTAN

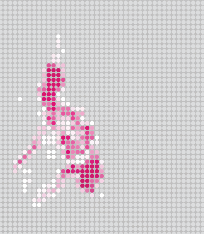


WI-TRIBE GROUP[1]

	2007	2008	2009	2010
REVENUE (QARm)	7	27	30	65
EBITDA (QARm)	(20)	(60)	(122)	(108)
EBITDA %	-	-	-	-
OPERATOR IMPORTANCE TO GROUP				
Customers	-	-	-	0.1%
Revenue	-	-	-	0.2%
EBITDA	-	-	-	N/A
Capex	-	-	-	2.3%

1. Includes Pakistan, Jordan and the holding company

THE PHILIPPINES



Investment in the Philippines is an associate stake of forty percent and therefore not included in the consolidated results above

"Our key goal for 2010 was to launch operations in the Philippines and I am delighted with our early success in this exciting market. We have worked hard to build a clear brand presence here, using our experience and skill to build out our services and secure a core subscriber base. With a firm presence established in three dynamic and growing markets, we remain excited by the prospects for the development of wireless broadband in 2011 and beyond."

Sohail Qadri
GROUP CHIEF EXECUTIVE OFFICER

WI-TRIBE IN JORDAN, PAKISTAN AND THE PHILIPPINES

ABOUT WI-TRIBE

The wi-tribe Group ("wi-tribe") is the cornerstone in the Qtel Group's strategy to capture share of the rapidly growing consumer wireless broadband market in MENA, the Asian Sub-continent and in Southeast Asia. Within a short period of time, wi-tribe has deployed multiple frequency and multiple feature 4G networks in three diverse markets.

wi-tribe is managed through two holding companies: wi-tribe Limited and wi-tribe Asia Limited. With operations in Jordan and Pakistan (through wi-tribe Limited), and a key investment in the Philippines (through wi-tribe Asia Limited), wi-tribe represents an exciting opportunity for the Qtel Group to help shape the future of wireless technology in these fast-growing regions.

OWNERSHIP

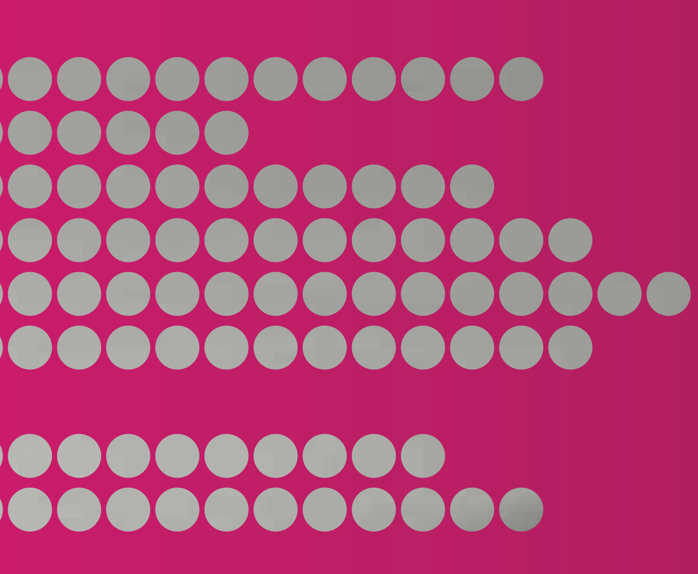
The Qtel Group has an 86.14 percent stake in wi-tribe Limited and a 100 percent stake in wi-tribe Asia Limited.

WI-TRIBE'S ACHIEVEMENTS

wi-tribe continued to make good progress in 2010 by broadening its geographic reach, expanding its subscriber base and enriching its service offering. The year's most significant development was wi-tribe's launch of services in a third geographical market: the Philippines. Commencing in February, the Philippines operation has moved quickly to establish a network spanning 350 sites in Manila and its surroundings, with plans to expand further in 2011. In Pakistan wi-tribe introduced a range of sophisticated new payment channels, making it easier and quicker for wi-tribe to monetise consumer transactions, in addition to launching a complementary range of payment "scratch-cards" to enhance wi-tribe's presence in the retail channel. wi-tribe Pakistan's relentless focus on quality was recognised in November, when the Pakistani regulator awarded wi-tribe Pakistan the best in class award for quality of service. In Jordan, wi-tribe continued to focus successfully on customer acquisition and retention, initiating a popular referral reward programme as well as establishing a dedicated retention unit to minimise customer churn. In 2010 the wi-tribe Group again saw significant growth as it closed 2010 with over 140 thousand subscribers in its countries of operation, up from 44 thousand the prior year.

WI-TRIBE IN THE YEAR AHEAD

In the year ahead, wi-tribe will look to build upon the early successes of its Philippines launch. At the same time, both Jordan and Pakistan remain regions of great potential and wi-tribe will make strengthening its position in these key markets a priority. In Pakistan, clear opportunities exist to pursue new pre-paid services as well as the opportunity to serve more customers in non-residential segments. In Jordan, wi-tribe looks forward to leveraging its strong position within the Qtel Group in order to help develop new products in 2011, particularly for the small and medium enterprise segment.



ASIA MOBILE HOLDINGS

Asia Mobile Holdings Pte. Ltd. (AMH) is a mobile communications investment company formed in 2007 to explore and invest in new mobile opportunities in the Asia Pacific region. The Qtel Group owns a twenty-five percent stake in AMH. The remaining seventy-five percent stake is owned by Singapore Technologies Telemedia (STT). AMH incorporated in Singapore, is the preferred investment vehicle for both Qtel and STT for investing in mobile operations in the Asia Pacific region.

THE AMH PORTFOLIO

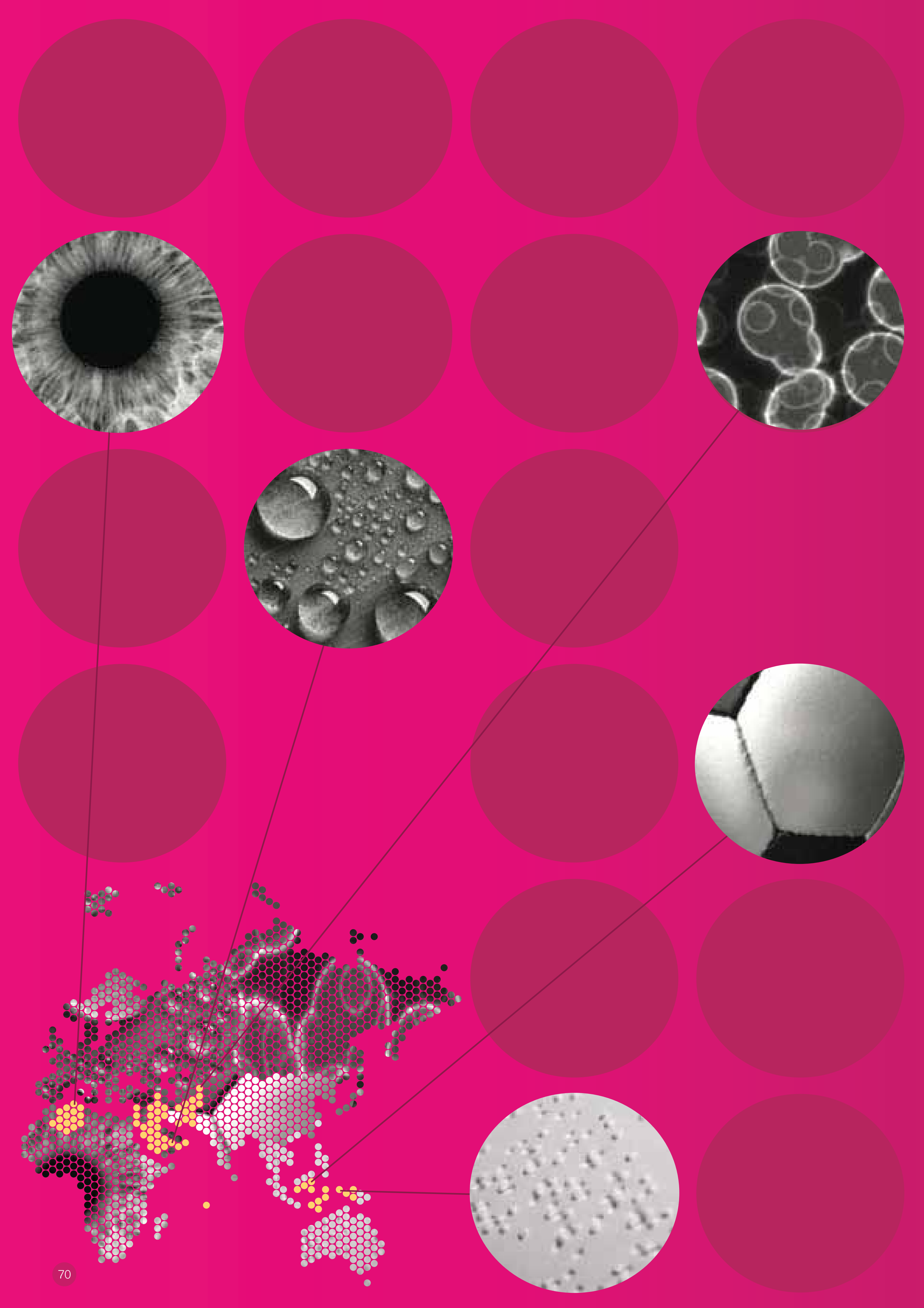
AMH closed 2010 with investments in the following companies:

STARHUB LTD.:

AMH has a forty-nine percent stake in StarHub Ltd. (StarHub) which equates to a Qtel effective stake of twelve percent. Launched in 2000, StarHub is a fully integrated communication company offering a full range of information, communications and entertainment services for both consumer and corporate markets.

SHENINGTON INVESTMENTS PTE. LTD.

AMH has a forty-nine percent stake in Shenington Investments Pte. Ltd. (Shenington). Shenington has a one hundred percent shareholding in Mfone Co Ltd., which equates to a Qtel effective stake of twelve percent. Mfone is one of the largest GSM operators in Cambodia. Shenington also owns a forty-nine percent shareholding in Lao Telecommunications Company Limited (LTC), which equates to a Qtel effective stake of six percent. LTC is the largest telecoms operator in Laos.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

OVERVIEW

Since 2008, Qtel has implemented a CSR strategy under the core message “Hand in Hand.” The five key areas established as pillars of the “Hand in Hand” approach were:

- **Healthcare;**
- **Education;**
- **Environmental Issues;**
- **Social Welfare Initiatives;**
- **Sport.**

By prioritising five key areas, we aimed to ensure that the initiatives we supported were sustainable and relevant across the different communities we served. Where possible, we looked to partner with relevant agencies and non-governmental organisations, to ensure that our efforts had lasting value and that the initiatives were developed in accordance with best practice.

In 2010, we began the process of a strategic review of our CSR strategy, both in our home market and across the wider Qtel Group. Legislation passed in Qatar in 2010 saw the creation of a central government fund for CSR activities, to which listed companies provide an agreed contribution. Qtel fully supports this initiative in its role as a flagship company for Qatar.

Across our regional operations, we increasingly looked for programmes where we could replicate the benefits across multiple markets, and which reflected the key brand values of the Qtel Group. Again, our goal was to prioritise sustainability in these activities to ensure long-term value.

Throughout the process of this strategic review, companies within the Qtel Group continued to provide support for key national initiatives and disaster relief in times of crisis. A strong culture of volunteerism saw employees donating time and money to these initiatives.

QTEL CSR INITIATIVES IN QATAR

Qtel conducted a diverse range of CSR-related activities in 2010, building upon the momentum created by the “Hand in Hand” strategic approach.

In the field of healthcare, one of Qtel’s most significant initiatives was the opening of a world-class kidney dialysis facility in Qatar, donated by Qtel. The new facility, which opened 8 March 2010, was named the “Fahad Bin Jassim Kidney Centre” to honour the memory of Sheikh Fahad Bin Jassim Al-Thani, who made a major contribution to the development of Qatar and of Qtel.

Managed by Hamad Medical Corporation, known as HMC, the new Kidney Centre offers modern and spacious dialysis facilities for people suffering acute and chronic kidney disease. It has been designed to offer some of the most advanced treatment standards in the region, with 80 stations and 20 private rooms, state-of-the-art dialysis stations, a number of educational and training facilities to instruct and prepare patients and their families before dialysis treatment, an outpatient service with huge capacity, and a specialised pharmacy.

Shortly after the opening of the Kidney Centre, Qtel employee volunteers visited Qtel shops in Villaggio, City Centre and Landmark malls in Qatar to promote kidney-sustaining health

CSR (CONTINUED)

habits. The promotion was in support of World Kidney Day, and the volunteers handed out leaflets containing valuable tips and free bottles of water.

Qtel also supported a range of free health camps throughout 2010, particularly in the industrial area for labourers without access to regular healthcare. One of the new initiatives was the development of a medical centre in the Sealine area to provide the community with much needed care during the holiday season. This Qtel initiative was organised in cooperation with the Qatari Red Crescent (QRC) and the Ministry of Environment (MoE).

In the area of disaster relief, Qtel's efforts in Qatar reflected the wider support for people in need across the Qtel Group. Qtel made a QAR1 million donation to the charity "Reach out to Asia" to assist in providing aid to the people of Pakistan following the flooding of 2010. To support Pakistan relief efforts, Qtel collected clothing donations and shipped these to Pakistan as part of a special relief flight from Qatar.

For our environmental efforts, Qtel launched a new e-Waste Recycling Programme in 2010 to provide an immediate and convenient disposal and recycling service in partnership with the Ministry of Environment and the Qatar National Campaign for the Recycling of Mobile Phones, Mobile Batteries and Accessories.

The first step in the campaign was the placement of "drop boxes" in every Qtel Shop and office to encourage customers and employees to recycle mobile phones. Building on the programme in August, Qtel hosted its first "Big Drop" day to give the community a way to recycle larger e-waste items. The e-Waste Recycling Programme was a huge success, collecting more than 27 tonnes of e-waste in the first 72 days.

In the field of education, Qtel was exceptionally busy. Through 2010, Qtel organised an ongoing programme of school visits, where a team of volunteers brought interactive educational workshops to schools across the country.

Bringing elements of Qtel's "Fuel Your Senses" campaign to each school, the programme was designed to excite the next generation about the power of new technology, and the responsibility that comes with deploying it. In addition to the schools outreach programme, Qtel also hosted field trips by schools and colleges to Qtel Shops and offices.

Qtel also made a number of donations and created new scholarships for schools across Qatar. These included significant donations of computers and equipment to schools including Al Rayyan Al-Jadeed Independent Secondary School for Girls.

In support of the local community, Qtel became the Presenting Partner for "Doha, Arab Capital of Culture," a year-long cultural event that brought artists and cultural exhibitions from around the Arab world to Qatar. Qtel developed a campaign, primarily digital and mobile, designed to encourage visitors and residents to take part in Doha 2010 activities.

To ensure support for the whole of the community, Qtel became a lead partner in "Connected," a nationwide initiative to support people with disabilities, in partnership with a range of companies working with the Centre for Assistive Technology, known as Mada.

Qtel's contribution to this initiative, "Access for All", offered a special discount on all assistive technology and services, special

handsets and accessories for customers with disabilities. Qtel also developed new Call Centre and customer billing services as well as installing access ramps for all Qtel Shops. In December 2010, Qtel launched the "Super Ability" Photo Exhibition to profile a number of Qatari nationals who have enjoyed major achievements and who have not let their disabilities prevent them from achieving their full potential.

Finally, in the area of sport, Qtel got closer to our customers than ever before. A series of special "Fan Zones" at major events provided entertainment, refreshment and the chance to meet some sporting heroes for the people of Qatar. From the Emir Cup Grand Final to Camel Racing events across the country, thousands of families fuelled a sense of real excitement from Qtel's fun activities.

FUELLING OUR EMPLOYEES

As the region's leading telecommunications business, it is incumbent upon us to be among the region's leading employers as well.

Our vision is to be the region's employer of choice, first on the list of fresh talent and experienced professionals, both of which we need to drive our continuing success.

Leadership development was a major strategic initiative in 2010. This included succession planning, with the resulting identification of successors to key positions throughout Qtel, as well as the launch of a top executive development programme with the world-renowned business school HEC Paris and a "Mini-Telecoms MBA" course for senior managers.

Employee engagement is another strategic HR initiative, with action areas determined by employee surveys. Key priorities include finding more and better ways to recognise performance; career development; and increasing employee awareness and understanding of company business strategy.

QTEL GROUP HIGHLIGHTS – CSR

Increasingly, the Qtel Group is looking to leverage the increased scope and reach of its operations to deliver results on a regional and international basis to complement ongoing local and national activities.

In parallel, national operations are provided with full scope to support local initiatives that they believe make a real difference in the lives of the community.

Some of the key achievements of 2010 include:

ASIACELL IN IRAQ

As civil society and community activities in Iraq continue to flourish, Asiacell significantly increased the range and scope of its CSR activity in 2010.

Asiacell was able to use its technical expertise and infrastructure to establish a hotline for the children's health emergency service, as well as providing free dedicated call centres for special events in Najaf. Asiacell even provided a free breaking news service that is now used by media across Iraq.

Other activities included dedicated support for a special national Women's Day event, as well as sponsoring the Sharazoor Children's Day. The CSR fund provided funds for a series of group weddings for families that had difficulty covering the costs, and sponsored a year-long programme of first aid training for women. Asiacell also distributed clothing and special t-shirts to orphanages across Iraq, and built a special centre for the blind in Sulaimaniya.

Asiacell also supported a range of educational activities across the country, including a special campaign to support responsible use of mobile phones.

INDOSAT IN INDONESIA

In Indonesia, Indosat continued to take the lead in supporting healthcare, education and innovation for the community. The company supports 16 mobile clinics ("Mobil Klinik Keliling"), providing free healthcare services to the communities.

The success of the network of mobile clinics created a second CSR opportunity, creating a domestic entrepreneurial programme alongside the clinic visits, called System Electronic Voucher (SEV) Retailing. The programme created a sustainable delivery channel for the distribution of payment vouchers to some of the most remote geographies, which in turn could be sold to generate revenue by the local community. The success of this programme has been presented by the Indonesia Global Compact Network (IGCN) during the Global Compact Asia Network Conference in Bali and the Global Leader Summit in New York.

Indosat also launched the fifth edition of the Indosat Wireless Innovation Contest, which has received 1,500 proposals to date. One of the most successful proposals submitted through the Contest has become a commercially-available service from Indosat, SMSZIP.

As well as these ongoing community initiatives, Indosat supported disaster relief during a number of emergencies in Indonesia, including the mud flood in Wasior in Papua, tsunami in Mentawai in West Sumatera, and Merapi's volcanic eruption in Jogyakarta in Central Java. The network of Mobile Clinics provided direct support and health services for the victims and refugees during these emergencies, as well as offering free communication in the disaster areas to ensure people could connect with friends and families.

WATANIYA KUWAIT

In 2010, Wataniya Telecom took part in a number of key social responsibility activities, with a particular emphasis on awareness-building and public education.

A special Multiple Sclerosis (MS) Campaign led by Wataniya helped raise awareness on the neurological disease and eradicating misconceptions about the condition. This campaign was organised in partnership with Kuwait's National MS Association.

Wataniya's e-Waste Recycling Campaign introduced the first e-waste recycling programme in Kuwait, working in parallel with Qtel's efforts in this area in Qatar. Customers were able to discard unwanted mobile devices, batteries and other mobile accessories at shops and offices across the country.

During the holy month of Ramadan, Wataniya distributed Quran CDs to customers as well as distributing daily Iftar meals to people in need.

Also an important strand within Wataniya's CSR strategy is providing support for the youth of Kuwait. Wataniya supported

a number of sponsorships, sports championships, and athletic activities for schools and universities across the country, to encourage a healthy lifestyle.

Internally, Wataniya worked to encourage greater involvement by employees in CSR activities. A blood donation campaign for the Kuwait Blood Bank was one of the major successes, resulting in very high levels of participation and enthusiasm on the part of employees.

NAWRAS IN OMAN

Nawras is heavily involved in supporting the community with different local and national initiatives.

Nawras' most highly-regarded, award-winning CSR activity is the annual "Nawras Goodwill Journey", conducted during the holy month of Ramadan. The Goodwill Journey visits schools, hospitals and charitable associations to give donations, equip IT rooms, establish football pitches and put up buildings to help those in need in different communities throughout the country. Now in its sixth year, the Nawras Goodwill Journey has become a landmark event each year.

Other significant sponsorships have included supporting the first Omani woman to climb Mount Kilimanjaro, support for Omani youth by being the first and only sponsor of the Sultanate's participation in the "Ship for World Youth", sponsoring the Muscat Community Football League (MCFL) Tournament with more than 45 participating teams of over 650 young prospective football talents, and entering into a sponsorship agreement with the Sultanate's premier international racing driver Ahmad Al Harthy.

NEDJMA IN ALGERIA

To build links with the community, Nedjma has organised a ceremony to honour Algerian women on International Woman's Day every year since 2006. In 2010, the event celebrated the role of women in the workplace and recognised a number of leading pioneers from the corporate world.

Nedjma also sponsored the creation of three films to address key social issues in Algeria, including driving safety, environmental responsibility and energy saving. The series of films were developed in coordination with key ministries and government offices and aired on national TV and radio.

For our charitable activities, Nedjma made a major contribution to the Algerian Red Crescent, including a significant food donation for needy families across 48 cities in Algeria during the Holy Month of Ramadan. Nedjma employees also organised hospital visits for sick children, with hundreds of volunteers bringing gifts and good wishes.

To support the media sector in Algeria, Nedjma supports the "Media Star Competition," which was launched in 2007. Around 65 journalists competed for prizes in 2010. Nedjma also supports a Press Club, for specialist training in telecommunications and technical writing. Around 27 courses have been organised since the launch of the Press Club.

WATANIYA IN PALESTINE

In Palestine, Wataniya in Palestine kept its focus on young people, organising a series of special events across 16 areas of the West Bank in partnership with the Sharek Youth Forum.

This was balanced by a special programme aimed at the elderly, which saw Wataniya in Palestine organise visits to senior citizen centres, again in partnership with the Sharek Youth Forum.

TUNISIANA

Tunisiana conducted a wide range of social welfare activities in 2010, including a special partnership with Tunisian Association of Road Safety. The 2010 campaign was launched in the summer, intending to provide a positive message reinforced by innovative communication, including scratch card competitions and a series of interactive events.

In partnership with JCI Hammam Chot (Young Commercial Chamber), Tunisiana redecorated the pediatric department of a national hospital, creating a playful atmosphere for young patients. The activity was made possible by the strong support of volunteers from within Tunisiana.

Tunisiana also supported a range of sporting activities, including a major golf tournament to raise funds for the handicapped. Funds raised through this programme saw the establishment of a centre for handicapped children in Tunis and the creation of a special area for "zoo therapy," a new therapeutic discipline to encourage greater contact between children and animals.

2010 also saw the creation of the "Tunisiana Football Academy," the first private football centre opened to celebrate the International Year of Youth. Based in Tunis, Tunisiana Football Academy is open to young people aged 5 to 12 and offers an advanced training facility and experienced coaching. In parallel, Tunisiana launched the Citizen Football tournament, which saw 384 teams (16 teams per governorate) compete to find the leading community football team in Tunisia.

WI-TRIBE IN JORDAN, PAKISTAN AND THE PHILIPPINES

wi-tribe subsidiaries executed a number of relevant and meaningful corporate social responsibility initiatives in 2010.

Pakistan was hit by the worst ever floods in its history which ravaged approximately one-fifth of Pakistan's land affecting about 20 million people. The death toll from these floods was estimated close to 2,000. wi-tribe Pakistan played an active employee-driven role in supporting victims of this unprecedented natural disaster, providing flood-affected victims with cash, labour and food-based contributions.

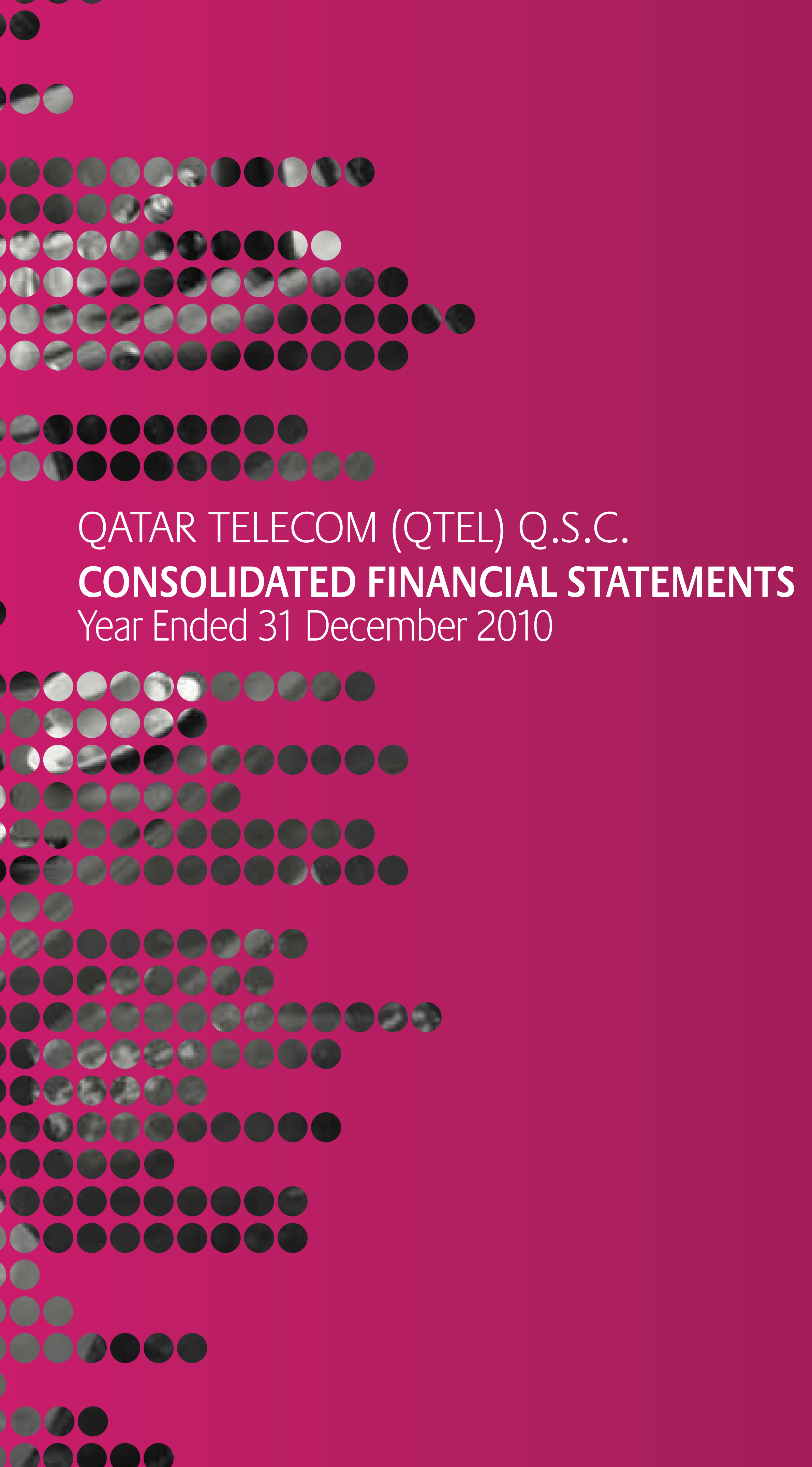
Other CSR initiatives included support for an industrial initiative to recycle used panaflex skins into durable, water-proof school bags for underprivileged children and providing low income schools with free/low-cost wi-tribe Internet.

In line with its youth focus, wi-tribe Jordan primarily focused on sponsoring educational events and institutes. Some of the sponsorships included the Amman Academy Little League and a robot competition for school students in Amman.

wi-tribe Philippines reached an initial agreement with universities in Manila to support a Student Entrepreneurial Programme, creating an opportunity for students to become productive after graduation through an entrepreneurial career. For students who showed promise but found it difficult to find employment elsewhere, wi-tribe Philippines also created employment opportunities.

BRAVO IN THE KINGDOM OF SAUDI ARABIA

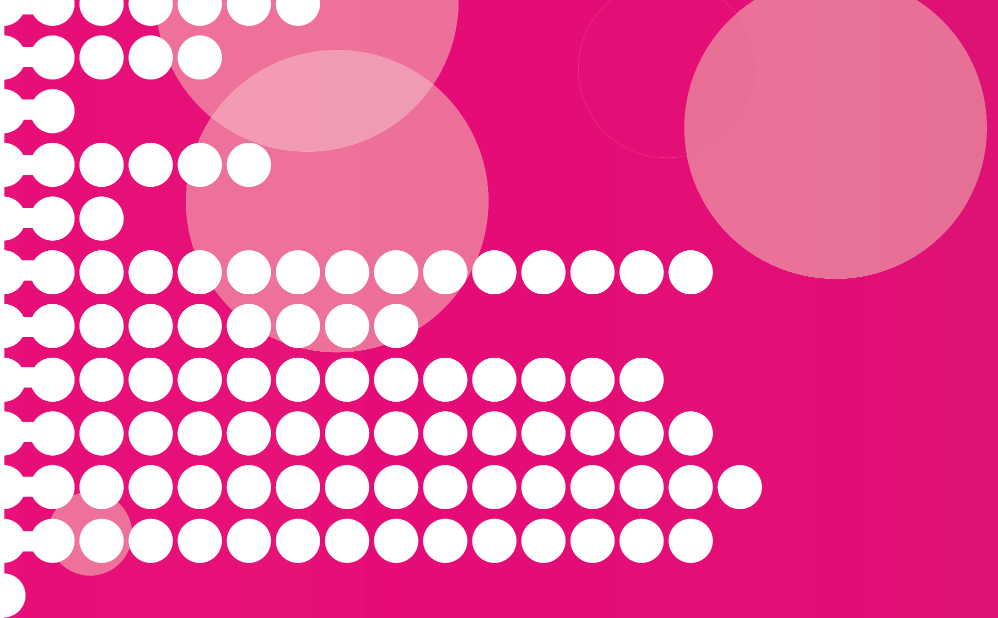
To create wider dialogue around the role of CSR in Saudi Arabia, Bravo proudly supported the main Awards at the Saudi CSR Forum 2010. In addition, the company made significant contributions to support the effort of the Jeddah city authorities and charity organisations for flood relief.



QATAR TELECOM (QTEL) Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 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.

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

	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

	Note	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

	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
		70,766,375	68,995,293
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
		30,632,201	15,965,800
TOTAL ASSETS		**101,398,576**	84,961,093
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
		19,030,060	15,619,518
Non-controlling interests		**15,196,832**	13,834,749
Total equity		**34,226,892**	29,454,267

The attached notes 1 to 43 form part of these consolidated financial statements

	Notes	**2010 QR'000**	2009 QR'000 (Restated)
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	**3,407,742**	3,806,087
		49,473,332	39,741,277
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		**461,451**	391,492
		17,698,352	15,765,549
Total liabilities		**67,171,684**	55,506,826
TOTAL EQUITY AND LIABILITIES		**101,398,576**	84,961,093

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

	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)

The attached notes 1 to 43 form part of these consolidated financial statements

	Notes	**2010 QR'000**	2009 QR'000 (Restated)
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

	Attributable to shareholders of the parent							
	Share capital QR'000	Legal reserve QR'000	Fair value reserve QR'000	Translation reserve QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interests QR'000	Total equity QR'000
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**

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

	Attributable to shareholders of the parent							
	Share capital QR'000	Legal reserve QR'000	Fair value reserve QR'000	Translation reserve QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interests QR'000	Total equity 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

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 Companies

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.

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.

2. BASIS OF CONSOLIDATION (continued)

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 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.

The principal subsidiaries of the Group, incorporated in the consolidated financial statements of Qatar Telecom (Qtel) Q.S.C are as follows:

		Group effective shareholding percentage	
Name of subsidiary	**Country of incorporation**	**31 December 2010**	31 December 2009
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%

2. BASIS OF CONSOLIDATION (continued)

Name of subsidiary	Country of incorporation	Group effective shareholding percentage 31 December 2010	31 December 2009
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 Algerie 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 Share-holding 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%
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 Aplikanusa Lintasarta("Lintasarta") (iii)	Indonesia	**47.0%**	47.0%
PT Artajasa Pembayaran Elektronis ("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:

(ii) 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 Algerie 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.

2. BASIS OF CONSOLIDATION (continued)

Notes (continued):

(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 Aplikanusa Lintasarta ("Lintasarta"), PT Artajasa Pembayaran Elektronis ("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 Aplikanusa Lintasarta ("Lintarsarta") 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.

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:

Standard / Interpretation	Content
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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

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

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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:

Standard / Interpretation	Content
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:

Standard / Interpretation	Content	Effective date
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

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (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 unutlised 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.

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.

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset

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:

		License costs	Customer contracts and related customer relationships	Brand/ Trade names	Concession intangible assets
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

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession arrangements (continued)

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.

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale investments: (continued)

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.

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest bearing loans and borrowings (continued)

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.

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.

3. BASIS OF PREPARATION AND SUMMARY OF 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.

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.

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

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Cash flow hedges (continued)

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.

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 derivates 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.

4. BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND CHANGES IN OWNERSHIP INTERESTS (continued)

4.2 Changes in ownership interest in Omani Qatari Telecommunications Company S.A.O.G. ("Nawras") (continued)

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.

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:

	2010	2009
	QR'000	QR'000
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	**780,739**	786,807

5. INTEREST IN A JOINT VENTURE (continued)

	2010 QR'000	2009 QR'000
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	**300,822**	301,333

6. REVENUE

	2010 QR'000	2009 QR'000
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
	27,178,999	24,025,256

7. OPERATING EXPENSES

	2010 QR'000	2009 QR'000
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
	8,537,064	7,327,606

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2010 QR'000	2009 QR'000
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
	6,047,570	5,476,326

9. DEPRECIATION AND AMORTISATION

	2010 QR'000	2009 QR'000 (Restated)
Depreciation (Note 14)	**4,696,409**	3,791,555
Amortisation of intangibles (Note 15)	**1,621,007**	1,692,686
	6,317,416	5,484,241

10. FINANCE COSTS -NET

	2010 QR'000	2009 QR'000
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)
	2,366,592	1,944,868
Less : Interest income	**(562,205)**	(446,635)
	1,804,387	1,498,233

11. OTHER INCOME (EXPENSES) –NET

	2010	2009
	QR'000	QR'000
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))	**575,130**	700,392
	657,611	1,143,970

(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

	2010	2009
	QR'000	QR'000
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	**53,670**	65,919
	320,815	459,154

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.

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 fees.

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.

	2010	2009 (Restated)
Profit for the year attributable to shareholders of the parent (QR'000)	**2,887,843**	2,825,329
Weighted average number of shares (in thousands)	**146,667**	146,667
Basic and diluted earnings per share (QR)	**19.69**	19.26

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Exchange and net-works assets	Subscriber apparatus and other equipment	Capital work in progress	Total
	QR'000	QR'000	QR'000	QR'000	QR'000
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)	195,484	-	-	715	196,199
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	417,631	(262,658)	952,940	689,505	1,797,418
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	185,038	484,967	3,617	117,570	791,192
At 31 December 2010	5,764,740	31,674,016	3,385,484	3,623,067	44,447,307
Depreciation:					
At 1 January 2009	367,915	3,565,682	1,681,229	-	5,614,826
Reclassification of prepaid land right (Note 42)	32,897	-	-	-	32,897
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	45,487	(60,507)	213,727	-	198,707
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	51,927	(5,972)	59,776	-	105,731
At 31 December 2010	1,829,292	8,488,045	1,956,986	-	12,274,323
Net book value:					
At 31 December 2010	**3,935,448**	**23,185,971**	**1,428,498**	**3,623,067**	**32,172,984**
At 31 December 2009 (Restated)	3,639,348	20,283,928	1,493,464	4,349,775	29,766,515

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.

15. INTANGIBLE ASSETS

	License costs	Goodwill	Customer contracts and related customer relationship	Brand/ Trade names	Concessions intangible assets	Other intangibles	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
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**

15. INTANGIBLE ASSETS (continued)

	License costs	Goodwill	Customer contracts and related customer relationship	Brand/ Trade names	Concessions intangible assets	Other intan- gibles	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
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

15. INTANGIBLE ASSETS (continued)

(i) Reversal of licence cost in 2009 represents the reversal of Wataniya Palestine Mobile Telecomunication 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).

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:

	Principal activity	**Country of incorporation**	**Ownership**	
			2010	2009
Navlink, Inc.,	Managed Service Provider delivering technology solutions in the enterprise data market	United State of America	38%	38%
Asia Mobile Holdings Pte Ltd ("AMH")	Holding company	Singapore	25%	25%
PT Lintas Media Danawa	Information and communication services	Indonesia	-	35%
PT Multi Media Asia Indonesia	Satellite based telecommunication services	Indonesia	27%	27%
PT Swadharma Marga Inforindo	Telecommunication and information services	Indonesia	20%	20%
Liberty Telecoms Holdings Inc. ("LTHI")	Telecommunication services	Philippines	40%	40%
MEEZA QSTP LLC	Information technology services	Qatar	20%	20%

(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.

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.

	2010	2009
	QR'000	QR'000
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	**(1,567,500)**	(1,584,532)
Net assets	**873,638**	822,057
Goodwill on acquisition	**1,299,014**	1,168,915
Less: impairment on investment in associate	**(46,337)**	(46,337)
Carrying amount of the investment	**2,126,315**	1,944,635
Group's share of associates' revenues and results:		
Revenues	**1,563,997**	1,159,898
Results	**(129,636)**	9,358

18. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	QR'000	QR'000
Quoted equity investments	**545,899**	493,253
Unquoted equity investments	**404,296**	362,416
Unquoted debt securities	**117,227**	160,264
Investments in funds	**794,584**	682,825
	1,862,006	1,698,758

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

	2010	2009
	QR'000	QR'000
		(Restated)
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)	**106,149**	145,363
	967,889	1,128,131

(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).

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 (Restated)
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	**(25,992)**	(35,814)
Income tax included in the consolidated income statement	**(545,550)**	(617,958)

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 (Restated)
Accounting consolidated profit before tax	**4,633,472**	4,546,248
The Company and its subsidiaries that are not subject to corporate income tax	**(1,804,760)**	(1,861,409)
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	**677,661**	318,398
Deduct:		
Depreciation-net	**(908,643)**	(364,158)
Unutilised tax losses brought forward	**(80,554)**	(283,255)
Taxable profit of subsidiaries and associates that are subject to corporate income tax	**2,525,516**	2,372,654
Current income tax charge at the effective income tax rate of 21% (2009: 23%)	**519,558**	546,816

20. INCOME TAX (continued)

	Consolidated statement of financial position		Consolidated income statement	
	2010	2009	**2010**	2009
	QR'000	QR'000	**QR'000**	QR'000
		(Restated)		(Restated)
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:

	2010	2009
	QR'000	QR'000
		(Restated)
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:

	2010	2009
	QR'000	QR'000
		(Restated)
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

21. INVENTORIES

	2010 QR'000	2009 QR'000
Subscribers' equipment	**177,262**	196,103
Other equipment	**137,065**	62,868
Cables and transmission equipment	**36,835**	23,471
	351,162	282,442
Less: Provision for obsolete and slow moving inventories	**(34,578)**	(27,911)
	316,584	254,531

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:

	2010 QR'000	2009 QR'000
At 1 January	**27,911**	24,020
Provided during the year (Note 7)	**6,658**	4,049
Amounts written off	**(192)**	(150)
Exchange adjustment	**201**	(8)
	34,578	27,911

22. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010 QR'000	2009 QR'000
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)	**776**	945
	4,739,950	4,199,699

Other receivables and prepayments include claims for tax refund of QR 235,035,131 (2009: QR 252,445,405) relating to subsidiaries.

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:

	2010 **QR'000**	2009 QR'000
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	**9,869**	42,582
At 31 December	**783,646**	654,393

At 31 December 2010, the ageing of unimpaired trade accounts receivable is as follows:

			Past due not impaired			
	Total	Neither past due nor impaired	< 30days	30-60 days	60-90 days	> 90 days
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
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:

	2010 **QR'000**	2009 QR'000
Bank balances and cash	**25,575,667**	11,511,570
Bank overdrafts (Note 27)	**(1,710)**	(4,942)
	25,573,957	11,506,628
Restricted deposit	**(16,037)**	(20,305)
Cash and cash equivalents at 31 December	**25,557,920**	11,486,323

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

	2010	2009
	QR'000	QR'000
Authorised		
200,000,000 Ordinary shares of QR 10 each	**2,000,000**	2,000,000
Issued and fully paid up		
146,666,700 Ordinary shares of QR 10 each	**1,466,667**	1,466,667

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.

26. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2010	2009
	QR'000	QR'000
Available-for-sale investments:		
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
Cash flow hedges :		
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
Associates:		
Share of net gain on cash flow hedges	**1,473**	6,276
Translation reserves:		
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

27. INTEREST BEARING LOANS AND BORROWINGS

The interest bearing loans and borrowings presented in the consolidated statement of financial position consist of the following:

	Maturity	**2010 QR'000**	2009 QR'000
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:			
Qtel International Finance Limited			
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**	-
Omani Qatari Telecommunications Company S.A.O.G.			
Loan 9 (iv)	Mar 2012	**672,675**	568,766
National Mobile Telecommunications Company K.S.C. and its subsidiaries:			
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**	-
wi tribe Limited:			
Loan 15 (vi)	May 2011	**425,321**	-
Starlink W.L.L.:			
Loan 16 (vii)	Various	**33**	154
PT Indosat Tbk and its subsidiaries:			
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

27. INTEREST BEARING LOANS AND BORROWINGS (continued)

	Maturity	2010 QR'000	2009 QR'000
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)		**1,710**	4,942
		46,852,196	36,085,668
Less: Deferred financing costs		**(590,522)**	(402,826)
		46,261,674	35,682,842

	Principal repayment amount QR'000	Deferred financing costs QR'000	2010 QR'000	2009 QR'000
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	**44,242,248**	**(499,427)**	**43,742,821**	33,798,433
	46,852,196	**(590,522)**	**46,261,674**	35,682,842

The deferred financing costs consist of arrangement and commitment fees. Movement in deferred financing costs was as follows:

	2010 QR'000	2009 QR'000
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	**4,458**	15,365
At 31 December	**590,522**	402,826

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.

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:

Description of loan		Repayment term
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.

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 Rp100,000 million (QR 40,502,000).

On 15 November 2010, the subsidiary made an early repayment of the remaining loan balance amounting to Rp900,000 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).

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.

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.

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 collaterised 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 collaterized by all equipment purchased from the proceeds of the credit facility.

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 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.

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.

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

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.

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.

27. INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

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.

27. INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

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).

27. INTEREST BEARING LOANS AND BORROWINGS (continued)

Subsidiary loans (continued)

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.

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.

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

	2010	2009
	QR'000	QR'000
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
	690,982	605,490

Movement in the provision for employee benefits are as follows:

	2010	2009
	QR'000	QR'000
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	**690,982**	605,490

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.

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:

	2010	2009
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:

	2010	2009
	QR'000	QR'000
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:

	2010	2009
	QR'000	QR'000
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

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:

	2010	2009
	QR'000	QR'000
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	**10,353**	29,617
At 31 December	**264, 859**	217,638

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:

	2010	2009
	QR'000	QR'000
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:

	2010	2009
Annual discount rate	**8.5% - 9.0%**	10.5%
Annual rate of increase in compensation	**8.0% - 9.0%**	9.0%-10.0%

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:

	2010	2009
	QR'000	QR'000
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	17,165	14,442

b) The composition of the accrued pension cost under the Labour Law during the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
	QR'000	QR'000
Projected benefit obligations	88,195	72,786
Unrecognised actuarial loss	(6,985)	(10,516)
Unrecognised past service cost	(3,901)	(4,009)
Accrued pension costs	77,309	58,261

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.

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.

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:

	2010	2009
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:

	2010	2009
	QR'000	QR'000
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:

	2010	2009
	QR'000	QR'000
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

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:

	2010	2009
	QR'000	QR'000
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.

29. OTHER NON-CURRENT LIABILITIES

	2010	2009
	QR'000	QR'000
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
	3,407,742	3,806,087

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.

30. ACCOUNTS PAYABLE AND ACCRUALS

	2010 QR'000	2009 QR'000
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)	**2,291,075**	1,323,050
	10,475,638	9,674,195

(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

	2010 QR'000	2009 QR'000
Declared, accrued and paid during the year:		
Final dividend for 2009, QR 7 per share (2008 : QR 10 per share)	**1,026,667**	1,466,667
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)	**733,334**	1,026,667

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.

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:

	Notional amounts	
	2010	2009
	QR'000	QR'000
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
	2,767,276	4,390,950

	Fair values			
	2010		2009	
	Positive	**Negative**	Positive	Negative
	QR'000	**QR'000**	QR'000	QR'000
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
	28,098	**87,348**	89,941	67,828

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:

	Negative fair value	Positive fair value	Notional amounts
	QR'000	QR'000	QR'000
Interest rate swaps			
31 December 2010	**674,897**	**2,260**	**23,666,548**
31 December 2009	698,635	24,371	23,764,992

33. COMMITMENTS

Capital expenditure commitments

	2010 QR'000	2009 QR'000
Property, plant and equipment		
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	**2,832,404**	3,433,270
Intangible assets		
For the acquisition of Palestine mobile license	**515,641**	515,637

Operating lease commitments

	2010 QR'000	2009 QR'000
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	**302,158**	226,238
Total operating lease expenditure contracted for at 31 December	**998,039**	766,114

34. CONTINGENT LIABILITIES

	2010 QR'000	2009 QR'000
Letters of guarantees	**493,341**	579,133
Letters of credit	**19,341**	14,743
Claims against the Group not acknowledged as debts	**4,678**	11,518

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").

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.

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%).

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.

	Income statement +25b.p QR'000	Equity +25 b. p QR'000
At 31 December 2010		
US$ LIBOR	**(27,359)**	**30,034**
Others	**(1,699)**	**-**
At 31 December 2009		
US$ LIBOR	(52,945)	30,553
Others	(2,728)	-

36. 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.

	2010	2009
	QR'000	QR'000
	Assets (Liabilities)	Assets (Liabilities)
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$.

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:

	Effect on income statement		Effect on equity	
	2010	2009	**2010**	2009
	+10%	+10%	**+10%**	+10%
	QR'000	QR'000	**QR'000**	QR'000
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.

	Changes in equity indices QR'000	Effect on equity QR'000
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.

36. 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:

	2010	2009
	QR'000	QR'000
Qatar	**615,062**	437,931
Other countries	**1,565,932**	1,389,007
	2,180,994	1,826,938

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:

	2010	2009
	QR'000	QR'000
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	**140,437**	178,656
	26,204,169	12,328,152

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.

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:

	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
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**
	1,710	**12,882,133**	**16,330,785**	**21,275,547**	**20,713,950**	**71,204,125**

	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
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
	4,942	13,929,333	12,183,356	26,002,467	5,621,790	57,741,888

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).

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:

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	QR'000	QR'000	**QR'000**	QR'000
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.

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

	2010	**Level 1**	**Level 2**	**Level 3**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Available- for- sale investments	**1,574,733**	**662,270**	**794,584**	**117,879**
Derivative financial instruments	**30,358**	**-**	**30,358**	**-**
	1,605,091	**662,270**	**824,942**	**117,879**

	2009	Level 1	Level 2	Level 3
	QR'000	QR'000	QR'000	QR'000
Available- for- sale investments	1,429,433	599,703	682,825	146,905
Derivative financial instruments	114,312	-	114,312	-
	1,543,745	599,703	797,137	146,905

Financial liabilities

	2010	**Level 1**	**Level 2**	**Level 3**
	QR'000	**QR'000**	**QR'000**	**QR'000**
Derivative financial instruments	**762,245**	**-**	**762,245**	**-**

	2009	Level 1	Level 2	Level 3
	QR'000	QR'000	QR'000	QR'000
Derivative financial instruments	766,463	-	766,463	-

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:

	2010 QR'000	2009 QR'000
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	**117,879**	146,905

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.

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.

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	**Carrying value 2010 QR'000**	Carrying value 2009 QR'000
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.

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.

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:

	Qtel QR'000	ACL, Iraq 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	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)

Operating segments (continued)

Year ended 31 December 2009

	Qtel	ACL, Iraq	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	5,641,367	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 (restated)	1,887,656	1,091,632	1,665,515	902,735	493,071	(528,001)	(966,360)	(ii)	4,546,248
Depreciation and amortisation	599,614	565,381	1,055,494	2,064,466	194,545	29,018	975,723	(iii)	5,484,241

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Segment profit before tax does not include the following:

	2010	2009
	QR'000	QR'000 (Restated)
Amortisation of additional intangibles identified in PPA	**(790,427)**	(975,723)
Impairment of goodwill	**-**	(68,861)
Write back of negative goodwill	**-**	78,224
	(790,427)	(966,360)

(iii) Amortisation relating to additional intangibles identified from business combination was not considered as part of segment expense.

41. SEGMENT INFORMATION (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2010 and 2009.

	Qtel QR'000	ACL, Iraq QR'000	Wataniya QR'000	Indosat QR'000	Nawras QR'000	Others QR'000	Adjustments and eliminations QR'000	Total QR'000
Segment assets (i)								
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**
At 31 December 2009	15,968,079	7,225,192	23,773,916	24,716,402	1,965,171	1,193,009	10,119,324	84,961,093
Capital expenditure (ii)								
At 31 December 2010	**1,323,468**	**1,351,582**	**1,366,259**	**2,216,969**	**701,264**	**176,076**	**-**	**7,135,618**
At 31 December 2009	938,526	1,229,057	1,426,738	5,303,339	492,947	187,988	-	9,578,595

Notes:

(i) Goodwill amounting to QR 10,420,628,000 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.

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:

	Increase/ (decrease) QR'000
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.

	2009 QR'000	As previously reported	As reclassified
Income statement			
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

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.

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