

PRESIDENT
BASHAR AL-ASSAD
PRESIDENT OF THE SYRIAN ARAB REPUBLIC



ANNUAL REPORT 2011

Fayez Manssour St. Mezzeh, Damascus, Syria.

Tel: + 963 11 2240300

Fax: + 963 11 6120000

P.O.BOX: 35108

Web site: www.ste.gov.sy

E- mail: ste-gm@net.sy

A LETTER FROM THE DIRECTOR GENERAL

2011 was a year full of challenges for STE and I am pleased to introduce our annual report that shows the progress we have made so far in improving the quality of telecom services and sustaining our customers' satisfaction.

We finalized building backbone network through implementing and investing projects to ensure fixed lines and broadband requirements. We did our best to expand exchanges and copper networks aiming to reach farthest areas in Syria in order to meet citizens' demands where fixed lines subscriptions reached (4.289) million subscribers and broadband internet (ADSL) subscriptions reached (121.340) subscribers.

STE seized the advantage of the geographical location of Syria as a bridge for international traffic between countries of various continents by regional interconnection projects such as (JADI-RCN-ALASIA) via reinforcing partnerships with neighboring countries.

In the framework of the transformation to a public joint-stock company totally owned by Syrian State, we have contracted with a local law firm to prepare the financial, administrative and other bylaws needed to restructure the company.

We will drive Syrian Telecom forward to be a world-class corporation by focusing on customers, increasing production efficiency and developing staff's capabilities and culture in accordance with the new strategy of the company to meet market demands and compete with other service providers. Finally, we hope with your efforts to build a modern corporation able to keep pace with telecom technical and administrative developments in order to develop infrastructure, capabilities and national economy to bridge the digital divide towards information society and occupy a leading role in development and modernization process.



Eng. Baker Baker
Director General



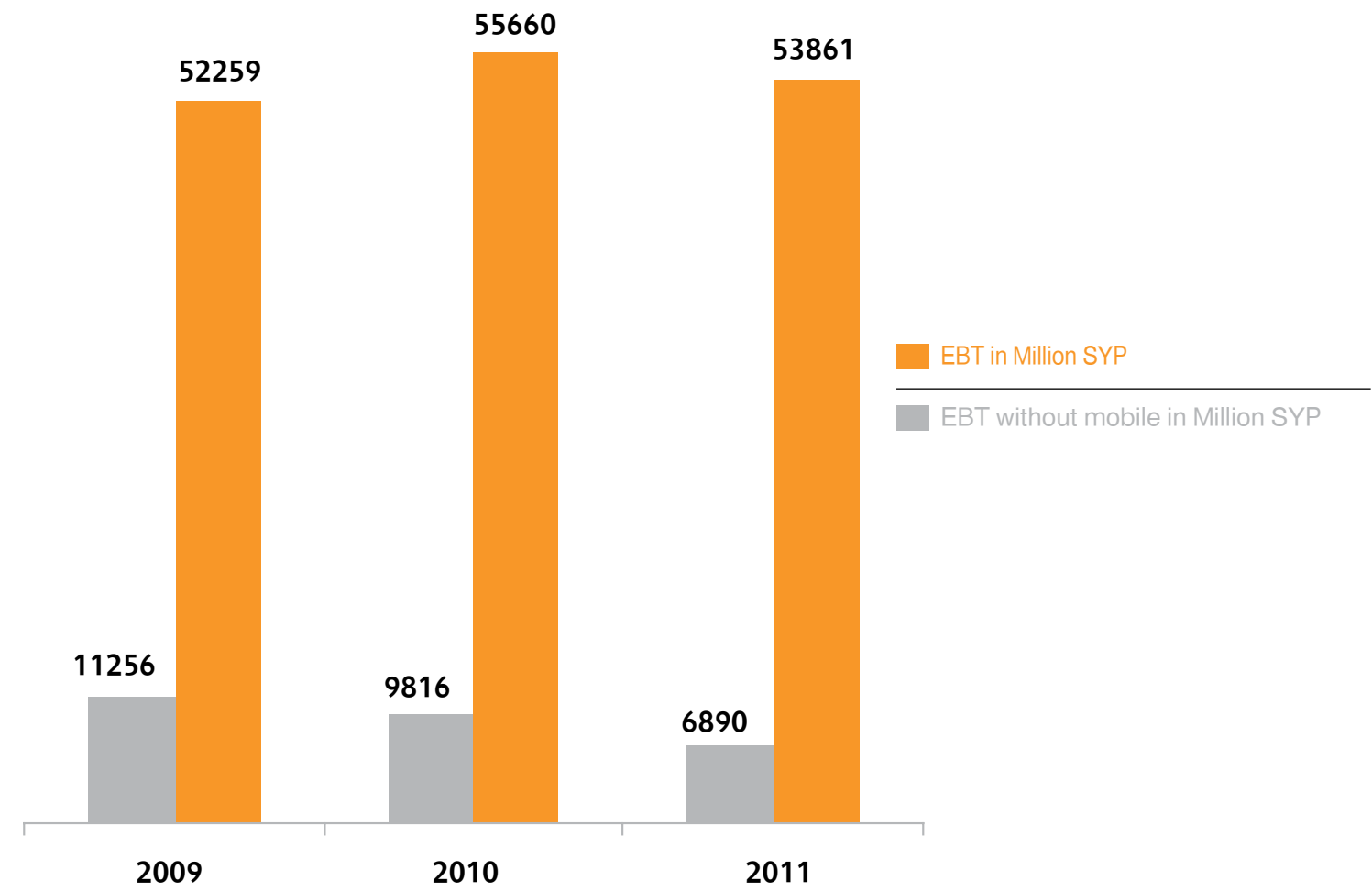
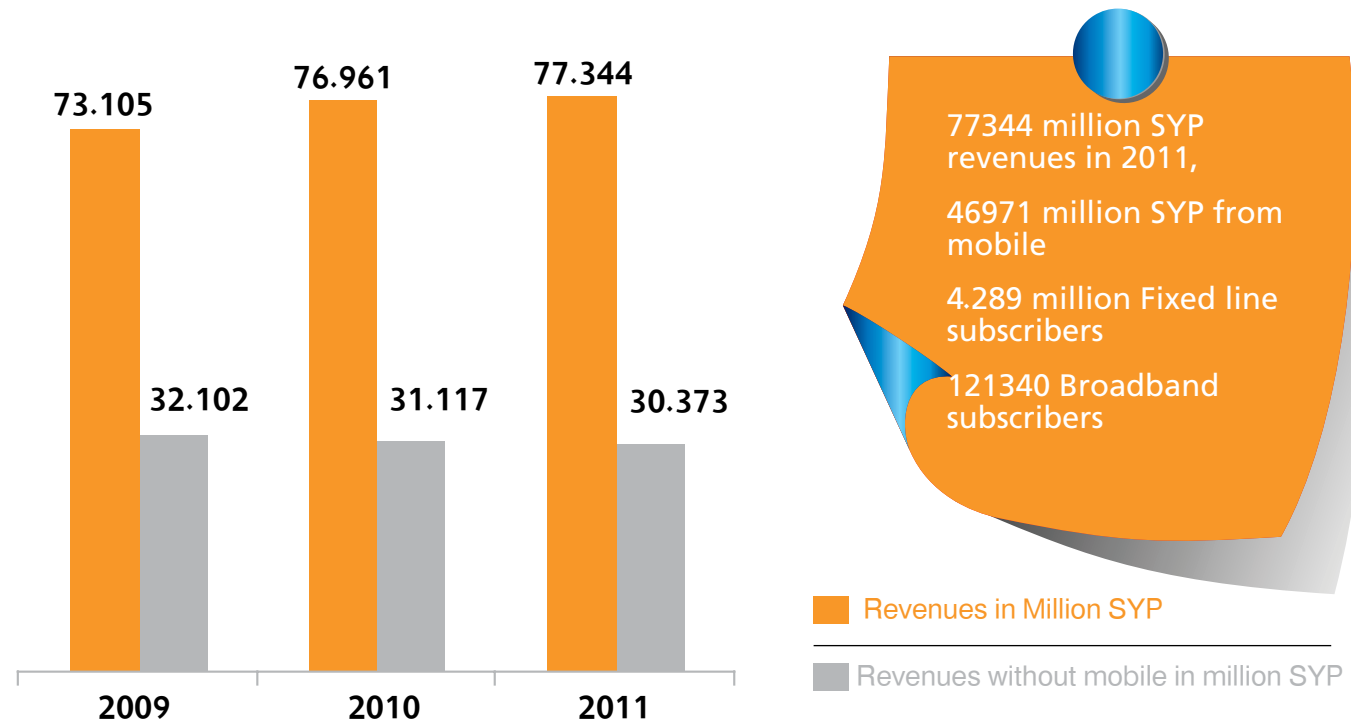
Our Mission

STE aims at Providing high quality and affordable services nationwide to sustain customer's satisfaction at various premises and bodies.

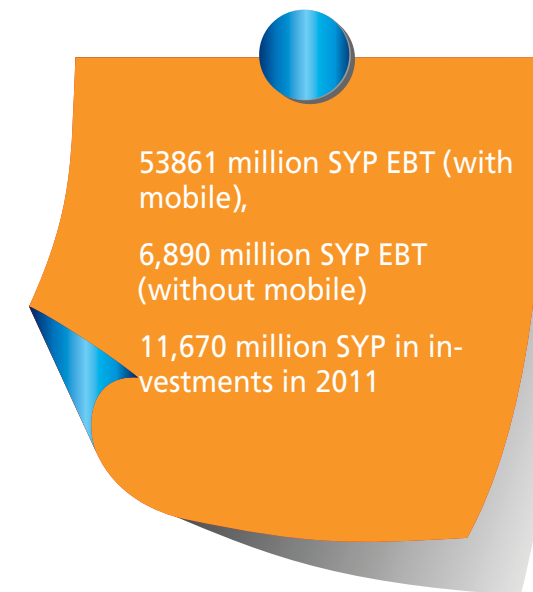
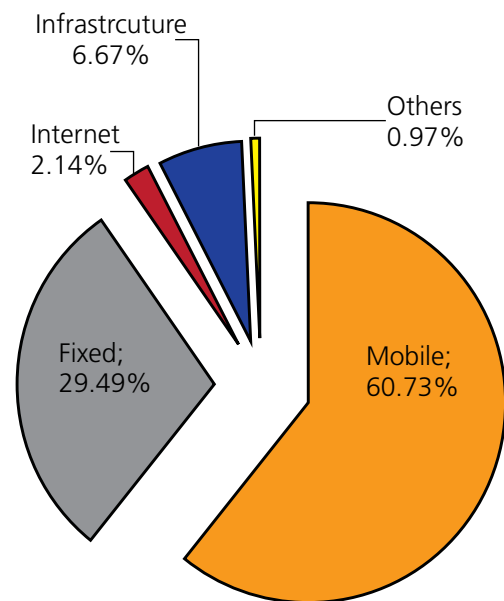
STE has been trying the best, through key investments in IT, knowledge, skill, reinforcing the innovative trends and teamwork.

STE contributes to develop and modernize the nation through networking people, knowledge dispersion and enhancing economy.

Our Mission



Revenues breakdown in 2011





Syrian Telecom Establishment Profile

STE is a public establishment of an economic nature entitled as a legal entity with financial and administrative autonomy functioned under the legislative decree no. / 2/ issued in 2005.

STE provides telecom services according to the policy that was set by the Board of Directors and based on the five-year plan. It has the exclusive right for providing Telecommunication services all over Syria pursuant to the legislative decree no. /1935/ in 1975, upon which STE was created.

On 9/6/2010 a new telecom law was issued under the legislative decree no /18/. The decree prescribed the formation of Syrian Telecommunication Regulatory Authority and the transformation of STE to a corporation totally owned by the government called "Syrian Telecom" and shall come into force after two years.

STE provides voice and internet services in Syria and shares revenues with mobile operators (MTN and Syriatel), in addition to that STE has shares in joint-venture companies (ST-Samsung, SGTC, and Tasdid).

CONTENTS

	▶ A Letter from the Director General
	▶ Profile
13	▶ Market and Strategies
	Market
	Towards 2015
	STE's Staff
	Network
	Customer
	International Partnerships
21	▶ Activities
	Projects in progress
	Business support system
	Transformation Projects
27	▶ Governance and results
	Towards corporation
	Partnerships
	IN Numbers
	Manpower
	Consolidate statement



The new telecom law is considered as a step towards market liberalization as it permits entering of new competitors into telecom markets and STE is going to be one of those competitors, this will have a positive impact on customers manifested in the quality, prices, and diversity of services which will enhance STE's role in increasing Syrian GDP.



Market

STE will keep on providing telecom services such as fixed line, internet (broadband), international telecommunication, leased lines, and infrastructures based on the commercial law and the expected competitive principle in collaboration with private internet providers and mobile operators taking advantage of the geographical location of Syria as a bridge for international traffic between countries of various continents.

The transformation of mobile service contracts from BOT into licenses will turn the business relationship between STE and mobile operators to a relationship between service providers with Syrian Telecommunication Regulatory Authority. The entry of a third mobile operator in the telecommunications market will lead to a significant competition among mobile operators.

At the end of 2011, the number of fixed line subscribers reached (4.289) million subscribers with a penetration rate (20%) and (56.4%) for mobile, whereas the penetration rate of internet service reached (3.5%) for dial up, (0.3%) for broadband, and (0.9%) for 3G.

Towards 2015

STE seeks through the five-year plan (2011-2015) to provide state of the art telephone and internet services all over Syria with high quality and appropriate tariff in addition to the social and economic goals to promote development taking into consideration the transformation of STE to a corporation works in accordance with the competitive market.

Estimated Investment /58/ Billion SP

Penetration rate till 2015:

- Fixed line 25%
- Internet 15%
- Mobile 75%



STE's Goals:

Infrastructures and Services

STE has planned to implement the following:

- Expand required infrastructures for fixed line, internet and mobile.
- Promote participation in regional interconnection networks via optical fiber through various projects to benefit from the geographical location of Syria.
- Study adoption of optical fiber technology in delivering services to subscribers.

focus on broadband services

transform gradually to the IP multimedia subsystem (IMS) technology

Management and Organization

- STE will try to implement the transformation program through:
- Preparing new financial, contracting and recruitment bylaws by contracting with a local law firm.
- Executing the consulting program (TOSP, Transformation and Operation Support Program) with a European consulting company to develop the organizational and operational structure capabilities and drive Syrian Telecom forward to be a world-class corporation.

Annual plan for 2012

STE 2012 annual plan aims to:

- Continue expanding and developing telecom networks and services and moving forward to next generation technology with affordable prices and high quality services.
- Develop customer services.
- Increase international transit traffic taking advantage of the geographical location of Syria.
- Restructure STE in the framework of the transformation to a corporation governed by commercial and companies law
- Increase incomes of STE

Estimated Revenue In 2012 in (Million SP):

Explanation	Revenue
Fixed lines	26.542.298
Mobile phone	50.303.845
Internet	2.388.200
Others	13.000
Total	79.247.343

We believe that the human factor is a cornerstone in any production process and since we cannot ignore the close correlation between the company's success and the functional performance of its staff, STE tries to:



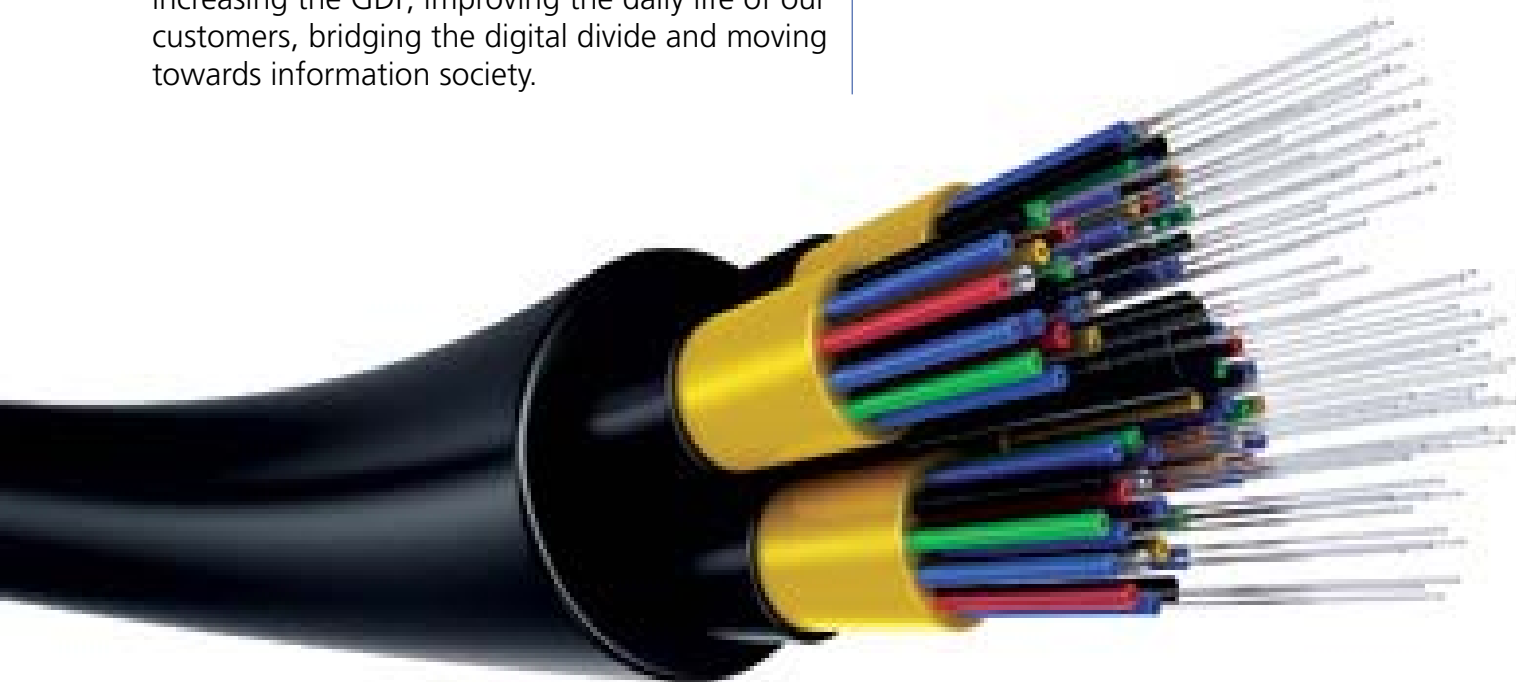
STE's Staff:

- Organize training courses every year in various domains for capacity building of its staff.
- Support the Cooperative Fund in order to provide social, humanitarian and health services to employees.
- Communicate with retired employees through a specialized committee and arrange frequent visits and parties as an appreciation for their long service and loyalty.
- Organize entertaining trips for employees.
- Sponsor children of working mothers in a day nursery.

Network

Nowadays networks are considered as a backbone of the digital world and the key to connect people; therefore STE aims to deploy more terrestrial networks to cover most areas in Syria and keep pace with increasing demands due to globalization and population growth.

STE seeks to build infrastructures of copper lines, optical fiber, data networking, high capacity digital transmission and IP multimedia sub system (IMS) to provide good services all over Syria which will have a significant impact through increasing the GDP, improving the daily life of our customers, bridging the digital divide and moving towards information society.



STE seeks through the eleventh five-year plan to achieve the following:

- insurance coverage and capacity sufficient circuits commensurate with the size of the future use.
- Improve the quality of service.
- Take advantage of the value of the data transmission services

Customers

- STE's previous orientation was providing telecommunication services in general, STE will be customer focus by:
 - Providing customer needs and meeting market's demands of value-added services.
 - Providing broadband services (xDSL).
 - Meeting customers' requirements by simplifying procedures and working according to One-stop shop system through (CCBS) project.
 - Sustaining current customers and attracting new ones through good hospitality, transparency and credibility.
- Preparing a professional customer care staff trained well to provide technical support for internet and fixed line subscribers and deal with customers' complaints intelligently (24/7).
- Removing obstacles that could limit any improvement of services and working on providing wider spread of services.
- Modernizing telecom services investment bylaws and executive instructions.





International Partnerships



- STE has built international relationships with service providers, carriers (voice & data transmission) as a strategic goal to increase access to the largest access points and contents in order to save costs and increase revenues.
- Despite the fact that market liberalization is a profitable opportunity but it is also considered as a big challenge faces all telecom companies to maintain their market shares and gain additional ones locally or internationally; thus STE realized that

the trend towards global markets is a strategic approach towards international expansion in networks and services and sharing neighboring countries quotas of international capacities.

- By developing our international gateways, STE will meet the requirements of international telecom market permanently and increase incoming and outgoing traffic to provide transit services to neighboring countries. STE also seeks to introduce modern international services such as VSAT-VPN-MPLs-VOIP.



PROJECTS IN PROGRESS

Switching Systems

STE has executed an expansion reached (450) thousand fixed lines, in addition to connecting Ericsson network operation center /NOC/ with CCBS.

Broad Band

STE has executed many contracts in order to install new broadband ports with a capacity up to (359.000) ports in all Syrian provinces.

Transmission

Backbone Network

STE has announced for a contract to

expand and modernize the backbone network using (DWDM) technology in order to insure interconnection demands which contract is still under discussion technically.

Transit and International Networks

- Put Submarine Cable System (CUB/ Tartous- Cyprus- Beirut) into force to provide international interconnection to Syria.

The establishment works to accomplish a number of specific projects to increase the capacities of telephone and internet ports and expand infrastructure to meet the requirements of the market inline with it's strategy .





- Finalize modernization process for Submarine Cable System (ALETAR/Tartous- Alexandria) which connects Syria with Egypt.
- RCN project; this project connects Arab Gulf with Europe through Jordan, Syria, and Turkey. Equipment of the eastern route has been installed and operated but on the western route the execution rate reached nearly 80%.
- JADI project; this project provides transit traffic with a capacity up to (20) Lambda connecting east with west through Jeddah, Amman, Damascus and Istanbul. Equipment has been installed and tested.
- Interconnection project with Lebanon, which is still on the table, to install optical multiplexer on Damascus-Beirut -Tripoli-Tartous.
- Operate and invest the new broadcasting satellite stations (SNG).
- Establish new submarine cable system between Syria and Cyprus called (ALASIA) instead of the old cables that were used in the previous System.

- Keep studying requirements of interconnection with neighboring countries. and the forthcoming STE's strategy will focus on increasing the transit capacity.

Access networks

STE has provided all materials needed for outside plants such as distribution sets, cables and plastic tubes.

Network Development and Engineering

STE terminated the consulting contract for network optimization where all specifications were delivered to STE.

Business Support System (BSS)

It's an Enterprise Resource Planning (ERP) System integrates management information across STE including finance, accounting and HR.

STE is studying a view of expansion for BSS project by adding new functional modules in order to serve STE through its transformation process focusing on contracting and cost accounting



Transformation Projects

Transformation and Operation Support Program (TOSP)

During 2011, in the framework of the transformation to a corporation, we studied all offers that were presented by different companies and contracted with a European consulting company.

The program aims to:

- Prepare the company's strategy for the coming stage.
- Prepare the administrative structure of STE in line with transformation to a corporation able to compete in the new competitive telecommunications market.
- Develop Business
- Develop existing information systems (IT) and implement information management

programs.

- Develop compensation bylaw (incentives-bonuses) to be related to productivity of employees.
- Review all services provided by STE to identify investment priorities of networks during the next phase

Bylaws Preparation Project

STE has contracted with a law firm to study and prepare the following new bylaws:

- 1- Articles of Association
- 2- Staff Regulations
- 3- Financial and Accounting bylaw
- 4- Contracts and Procurement System



GOVERNANCE
& RESULTS

When the new Telecommunication Law was issued, the article no.18 stated transforming STE to a joint-stock company called "Syrian Telecom" with all its rights, obligations, terms of reference and functions except what is related to telecommunication regulatory issues where such tasks were assigned to Syrian Telecommunication Regulatory Authority, and the article no.19 stated that Syrian Telecom shall subject to Trade and Companies Laws.

Towards a corporation

STE has started a restructuring process including major changes of administrative and operational structure in order to improve performance and achieve profit. It will begin applying the principles of trade and accounting to transform this public establishment to a commercial entity seeks to reap profit and compete with others in telecom market. STE will also begin a financial restructuring during a limited time was set by the new Telecommunication Law to be no later than five years.

Partnerships

Joint -ventures

ST-SAMSUNG

It is a Syrian Korean joint-venture company for Manufacturing and Marketing of Telecommunications Equipment LTD.

Activities in 2011:

PABX (Private Automatic Branch Exchange)

- Provide support and maintenance services for installed systems locally and abroad.
- Meet Syrian bodies' requirements.

Access Systems

- Launch a modern production line to manufacture access systems or any new telecom system
- Install OAN with a capacity up to (270.000) ports
- Cooperate with some business agents to market products abroad.

Rural Exchange (SDX-RB)

- Provide after sale services
- sell spare parts to Iraq

Optical Networking Equipment

- import optical networking equipment from Korea
- install a pilot project in one of the governmental bodies

Plan for 2012:

ST-Samsung intends through its new plan to:

- Follow up contracts signed with STE
- Seek partners to market products abroad
- Build a long-term partnership with a Russian Business company called (CASCADE)

SGTC

Syrian German Telecommunications Company for Manufacturing and Supplying W-CDMA

Activities in 2011:

- Supply equipment and materials to serve (77270) lines work with W-CDMA technology manufactured locally in AL-Dimas factory
- Deliver (60) out of (67) wireless stations.

Future Projects

Locally:

- Continue importing and manufacturing of component and equipment needed for STE's contracts.
- Manufacturing needed electronic equipment for local partners and companies.

Globally:

- Supplying Mother Company in Germany with subscribers units manufactured locally for its future projects worldwide.
- Marketing (W-CDMA) technology in the neighboring countries and Middle East.
- Providing electronic devices for regional companies upon availability.

Tasdid

This company provides e-payment services for fixed line subscribers in most Syrian provinces. In 2011, the total paid bills reached (993821) bills by ceaseless efforts of /946/ distributors.

Lately, it launched a new service for MTN post-paid mobile subscribers which enabling subscriber to pay bills by using Tasdid pre-paid cards via its website.

As a future plan, Tasdid is going to expand its services to serve all provinces whether by opening new e-pay centers or by recruiting more distributors.

Agreements and MOU's

A tri-party Agreement between (STE, PCCW, CYTA) has been signed to build a new submarine cable system called (ALASIA) connecting Syria, Cyprus and Europe through (Alexandros) cable where the last connects Cyprus with Marseille; this project is expected to be activated in 2012.

IN Numbers

Nowadays, ICT is considered one of the most important factors that influence modern economy and in order to keep pace with the accelerated economic growth Syrian Government focused on promoting ICT's role through giving greater attention to telecommunication sector.

Telecommunication sector played a prominent role in increasing the Syrian GDP and it is expected to be increased further during the coming years, note that the private sector had also played an active role manifested in mobile companies and private service providers in various fields like payphones, internet and prepaid cards.

Investments, which were done in STE, provided the suitable infrastructure to increase penetration rate, maintain the existing telephone lines and provide voice, internet and value-added services which have been reflected on revenues, traffic and subscription of various services.



Fixed

Fixed voice

Capacities and Subscriptions

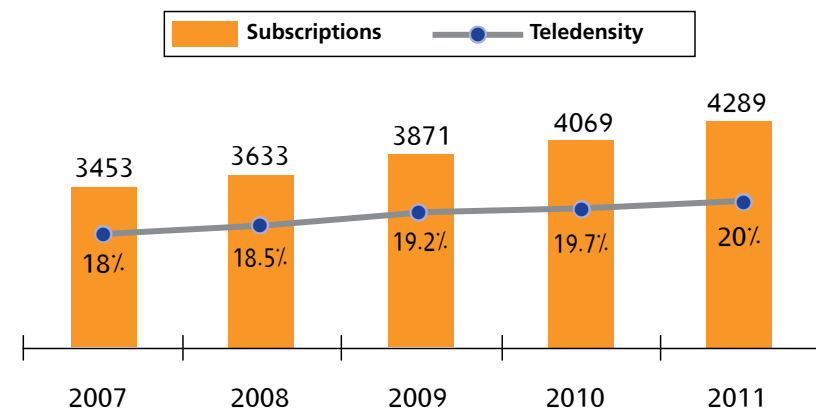
At the end of 2011, the installed telephone capacities reached (5.707) million fixed lines with an increase up to (520) thousand from year 2010, while the number of subscriptions reached (4.289) million fixed lines with an increase up to (220) thousand from year 2010 where teledensity reached (20%) distributed as (77%) in urban areas and (23%) in rural areas.

Fixed Lines Figures

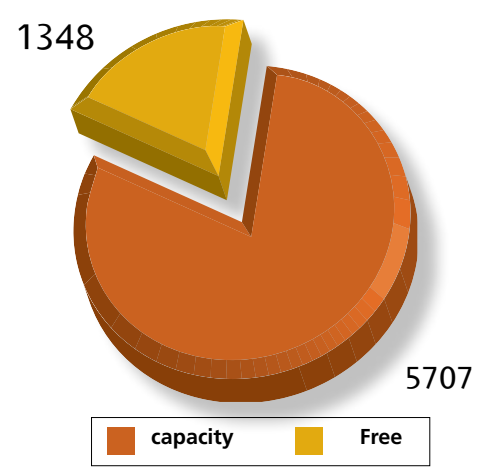
(thousands)

Explanation	2007	2008	2009	2010	2011	CAGR* 2007-2011
Total capacity (lines)	4148	4345	4680	5187	5707	8.3%
Urban Subscribers	2763	2888	3058	3174	3303	
Rural Subscribers	690	745	813	895	986	
Total subscribers	3453	3633	3871	4069	4289	5.57%
Operating rate	83.2%	83.6%	82.7%	78.4%	75%	
Teledensity rate	18%	18.5%	19.2%	19.7%	20%	
ISDN Subscribers	13948	20177	29826	34647	31149	22.25%

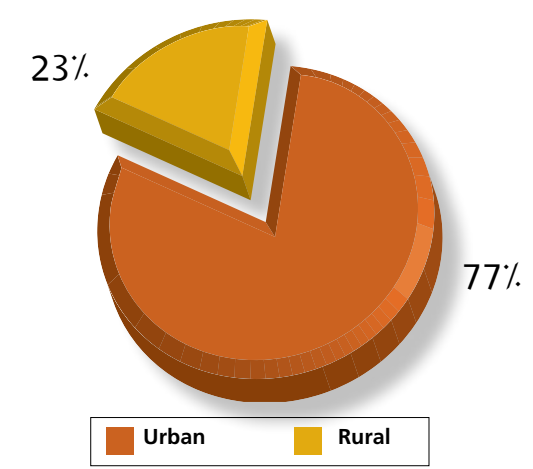
*CAGR: Compound Annual growth Rate



Fixed line Utilization 2011 in thousands 2011



Fixed line Subscriptions rate 2011



Payphones service increased during the last two years (2010-2011) after contracting with (TAYF) and (New Generation) to provide (6000) payphones

NUMBER OF centers & payphones

Explanation	2007	2008	2009	2010	2011
Switching centers	704	716	722	726	731
Pay phones	995	765	1209	3012	3680



Waiting List of PSTN lines:

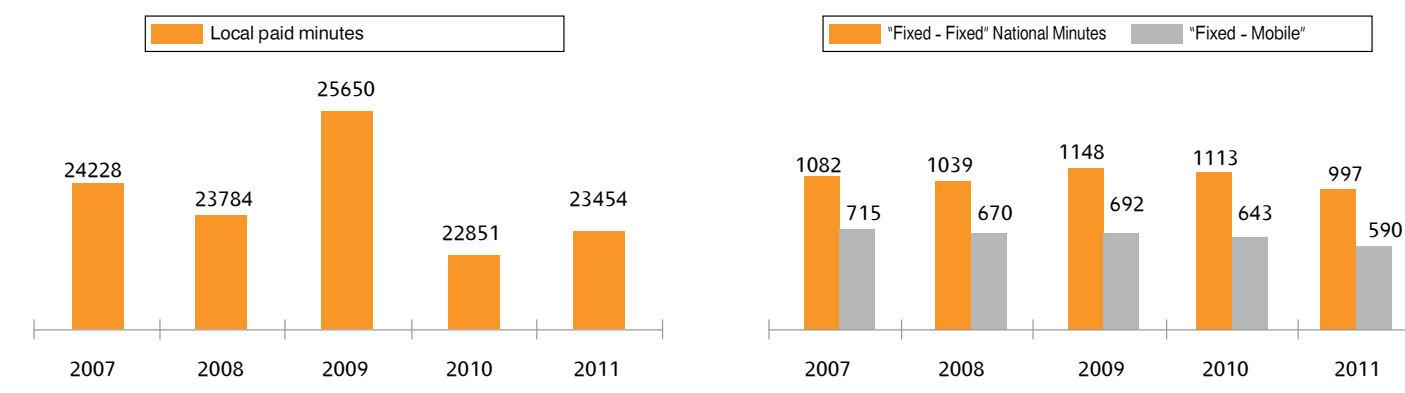
The confirmed subscription orders for PSTN lines in 2011 reached (241) thousand, while total waiting list reached (1.611) million requests.

Traffic

In 2011

- The number of local paid calls reached (7818) million calls with an increase of 3% against last year, and the number of local paid minutes reached (23454) million minutes taking into consideration that the average of a local call is (3) minutes. (local call means call within same province)

- National traffic (between provinces) reached for fixed to fixed line (997) million minutes with a decrease of 10% from year 2010, while fixed to mobile line reached (590) million minutes with a decrease of 8% from year 2010.



The above chart shows a distinct decrease in both local and national traffic, but in 2009 there was a remarkable increase in traffic attributed to irregular incoming international calls via internet which were considered as outgoing local calls.

National Fixed Lines Traffic

Explanation	million calls					CAGR 2007-2011
	2007	2008	2009	2010	2011	
Local paid calls	8076	7928	8550	7617	7818	-0.8%
Change %	13.6%	-1.8%	7.8%	-10.9%	3%	-

Explanation	Million minutes					CAGR 2007-2011
	2007	2008	2009	2010	2011	
Local paid minutes	24228	23784	25650	22851	23454	-0.8%
change %	13.6%	-1.8%	7.8%	-10.9%	3%	-
National minutes (fixed-fixed)	1082	1039	1148	1113	997	-20%
change %	-6.4%	-4%	10%	-3%	-10%	-
National minutes (fixed-mobile)	715	670	692	643	590	-4.7%
change %	-0.7%	-6%	3%	-7%	-8%	-

Outgoing international traffic

The total traffic decreased by 8.6% comparing to 2010 against an increase in transit traffic reached 14%. The outgoing international traffic including transit reached (436) million minutes by 28% of total traffic whereas the net outgoing international traffic reached (314) million minutes by 72% of total traffic.

Outgoing International traffic was distributed as follows:

- From fixe line (81.4) million minutes by (25.5 %)
- From IN(ppc) (4.5) million minutes by (1.5 %)
- From Mobile (228.1) million minutes by (73%)

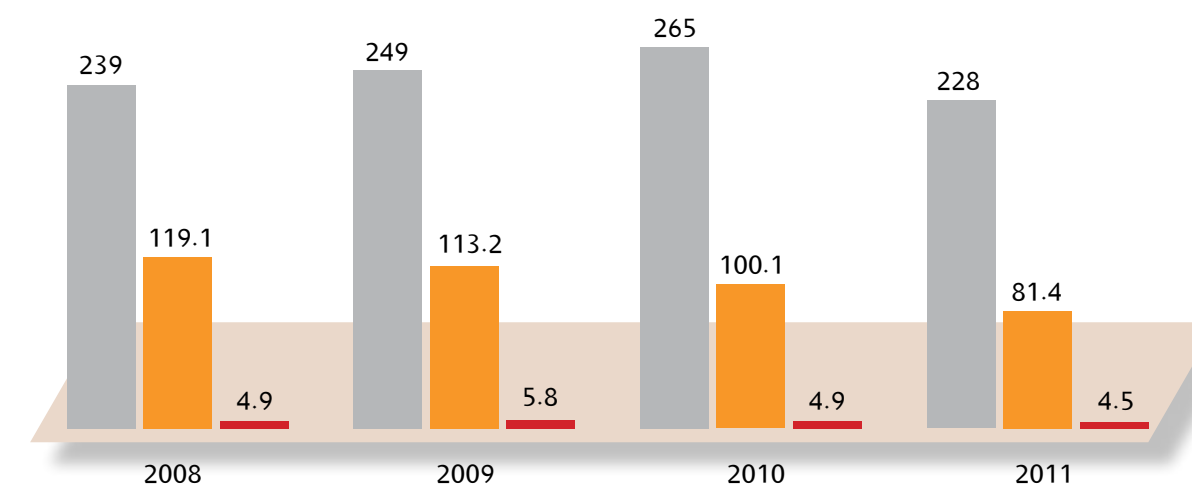


Outgoing international traffic

(million minute)

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
Total	404	428	450	477	436	1.9%
Change %	-	5.9	5.1	6.0	-8.6	-
From transit traffic	72	65	82	107	122	14.1%
Change %	22	-9.7	26.2	30.5	14	-
Originated from Syria	333	363	368	370	314	-1.5%
Change %	25%	8%	1%	1%	-18%	-

■ Mobile ■ Fixed ■ IN



incoming international traffic

By the end of 2011, the incoming international traffic terminated in Syria reached (1.716) billion minutes with an increase of 4.7% against year 2010. The following table presents the details for the last five years.

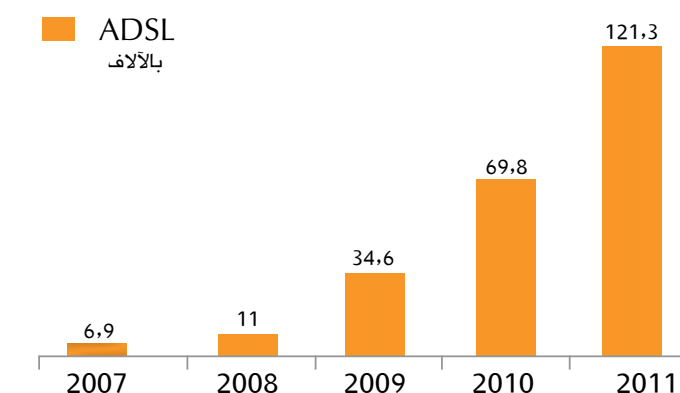
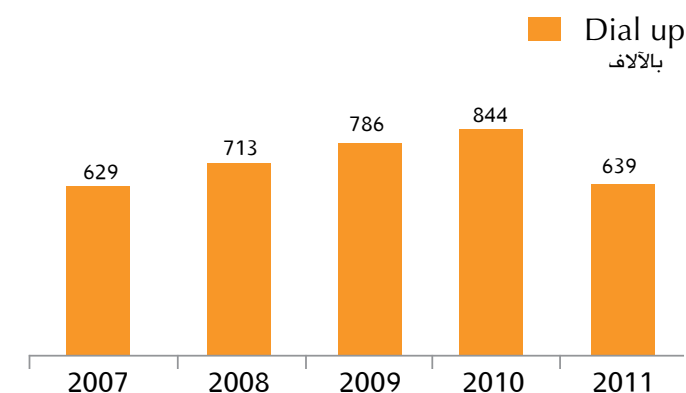
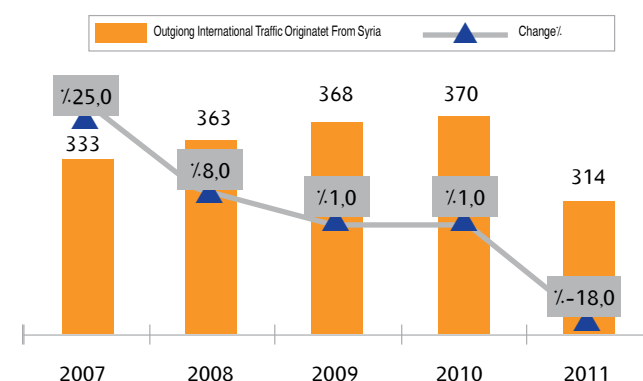
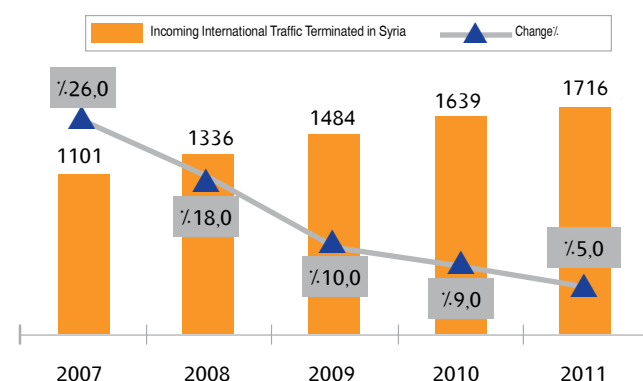
Details of International Traffic Originated from Syria

Traffic Details	2008	2009	2010	2011	CAGR 2008-2011
From Mobile	239	249	265	228.1	-1.7%
Change %	-	2%	6%	-13%	-
From IN	4.9	5.8	4.9	4.5	-2.1%
Change %	-	18%	-16%	%-8	-
From fixed line & Operators	119.1	113.2	100.1	81.4	-9.1%
Change %	-	%-5	-12%	-20%	-

Total incoming international traffic

(million minute)

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
Total	1172	1401	1566	1745	1838	11.9%
Change %	34.2%	19.5%	11.9%	11.4%	5.3%	-
Incoming transit traffic	72	65	82	106	122	14.1
Change %	22%	-9.7%	26.2%	30.5%	14%	-
Total incoming traffic Terminated in Syria	1101	1336	1484	1639	1716	11.7
Change %	26%	18%	10%	9%	5%	-



Fixed Internet

Subscriptions

Total number of dialup internet subscribers reached (639.000) subscribers at the end of 2011, (456) thousand of them are prepaid activated cards, whereas for broadband

internet it reached (121340) subscribers for the same period of time. We can notice a significant reduction of dial up subscribers due to the increasing demand on broadband internet (ADSL)

Internet subscriptions

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
Dial up Narrow band (thousands)	629	713	786	844	639	0.4 %
Change %	103.5%	13%	10%	7%	-24%	-
ADSL Broadband (sub)	6957	11055	34657	69817	121340	104.3%
Change %	33%	59%	213%	94%	74%	-
Fixed Internet density	3.38%	3.8%	4.2%	4.6%	3.55%	1.2%

Internet Service Providers (ISP)

The public data network (PDN) is the main infrastructure for internet network and data transmission in Syria; the total number of internet service providers reached (15) ISP's ; STE (Tarassul) of public sector, other fourteen of private sector {SCS-SAWA-AYA-Alami-ZAD-INET-RUNNET-VIEW-ELCOM-SAMANET-OMNIA-LIMA-TAWASUL-MTN}

Internet cafes'

At the end of 2011 the total number of internet cafes in Syria reached (1007) cafes distributed as follows:

Damascus(247) /Rural Damascus(251)/ Qunitera(3)/ Daraa (26)/ Swedaa(13)/ Homs(105)/ Hama(29)/ Tartous (24)/ Lattakia (75) /Idleb (19) /Aleppo(125)/ Raqqa (13)/ Deir Elzor (35)/ Hassakeh (42)

Internet cafes'

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
Internet Cafe	677	750	830	977	1007	10.4%
Change %	35.4%	10.78%	10.67%	17.71%	3.07%	-

Mobile

Mobile-Voice

By virtue of BOT contracts signed with STE, the two mobile operators have achieved a quantitative leap in covering the entire country with a penetration rate up to (60.4%).

The two operators continue offering internet service (3G) and deploying new station so that the number of internet subscribers reached (200.000) by the end of 2011

Total subscriptions of mobile phone reached (12.917) million; pre-paid mobile subscribers reached (11.960) million which forms (92.6%) of the total.

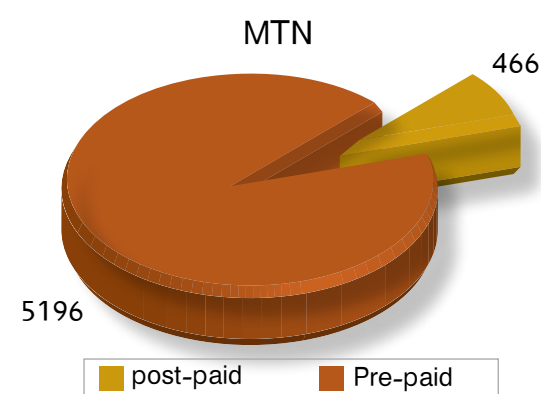
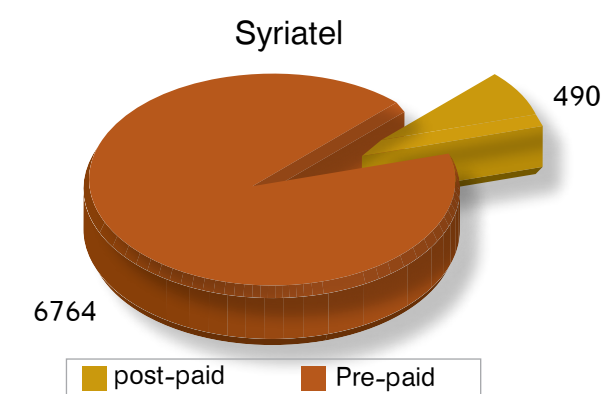
Mobile subscriptions for each operator in 2011:

Company	post-paid	pre-paid	Total
Syriatel	490.420	6.763.719	7.254.139
MTN	466.456	5.196.459	5.662.915
Total	956.876	11.960.178	12.917.054

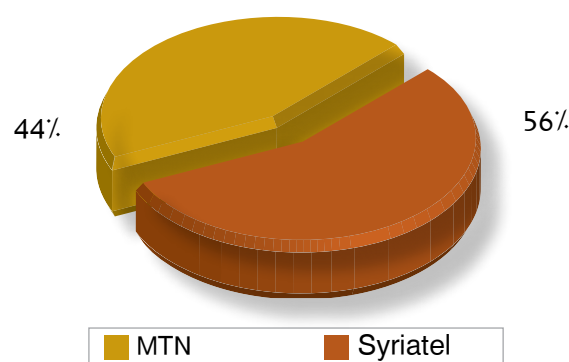
Subscribers between 2007-2011

(thousand subscriber)

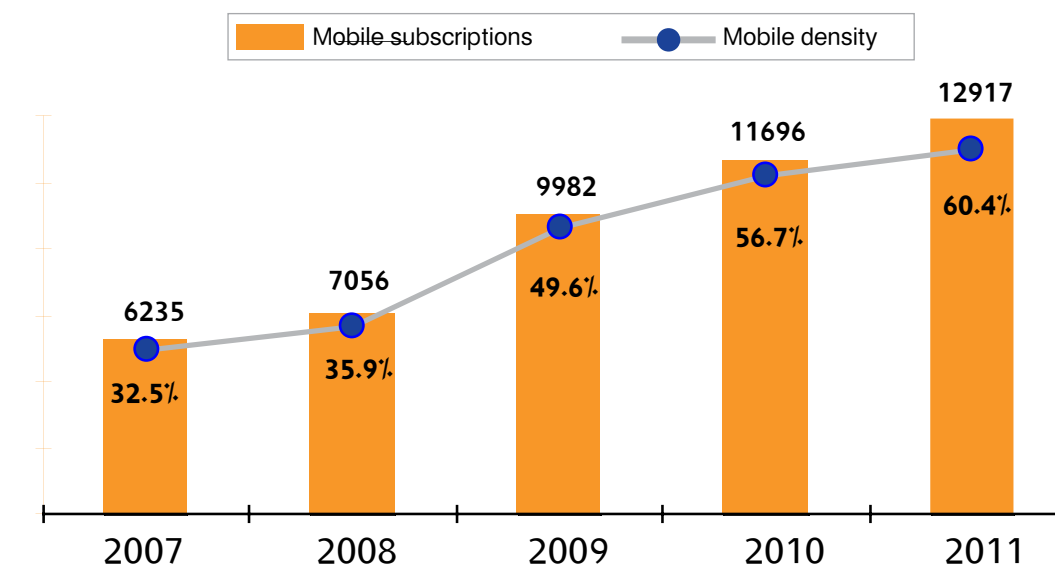
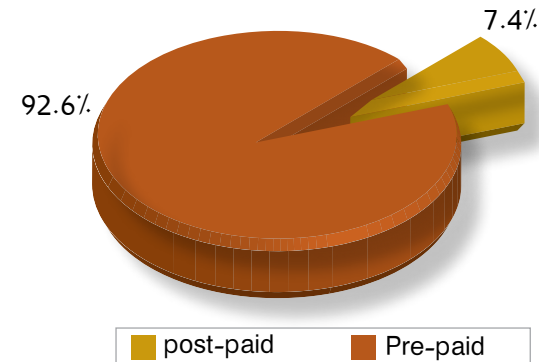
Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
Pre-paid	5071	5934	8886	10681	11960	23.9%
Post paid	1164	1122	1096	1015	957	-4.8%
Total	6235	7056	9982	11696	12917	20%
Change %	33%	13%	41%	%17	10.4%	-
Mobile density	32.5%	35.9%	%49.6	56.7%	60.4%	-



Subscriptions for Syriatel & MTN 2011



Mobile Subscriptions, 2011



The following table illustrates Fixed to Mobile Substitution FMS-subscriptions which shows an increase in mobile subscriptions and a decrease in fixed subscriptions of total subscriptions.

Fixed to Mobile Substitution FMS- Subscriptions

Explanation	2007	2008	2009	2010	2011
Mobile % of total	64%	66%	72%	74%	75%

Mobile Traffic

(million minute)

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
Mobile - mobile	8351	10346	11076	11689	11924.5	9.3%
Change %	39%	24%	7%	5.5%	2	-
Mobile - fixed	338	337	298	281	253	-7.0%
Change %	-3.4%	-0.3%	-11.6%	-5.7%	-10%	-
Mobile - International	203	239	249	265	228.1	-1.6%
Change %	74%	19%	2%	7%	-27%	-

mobile & Fixed Lines traffic

(million minute)

Explanation	2008	2009	2010	2011	CAGR 2008-2011
Fixed traffic	25856	27858	24977	25355	-0.5%
Change %	-	7.7%	-10.3%	1.5%	-
Mobile traffic	10922	11623	12235	12406	3.2%
Change %	-	6.4%	5.2%	1.4%	-
Total traffic Fixed & mobile	36778	39481	37212	37761	0.6%
Change %	-	7.3%	-5.7%	1.3%	-

The following table illustrates Fixed to Mobile Substitution (FMS)- Traffic which shows an increase in mobile traffic of total voice traffic.

Fixed to Mobile Substitution FMS- Traffic

Explanation	2008	2009	2010	2011
Fixed % of total	%70.3	%70.5	%67.2	67.1%



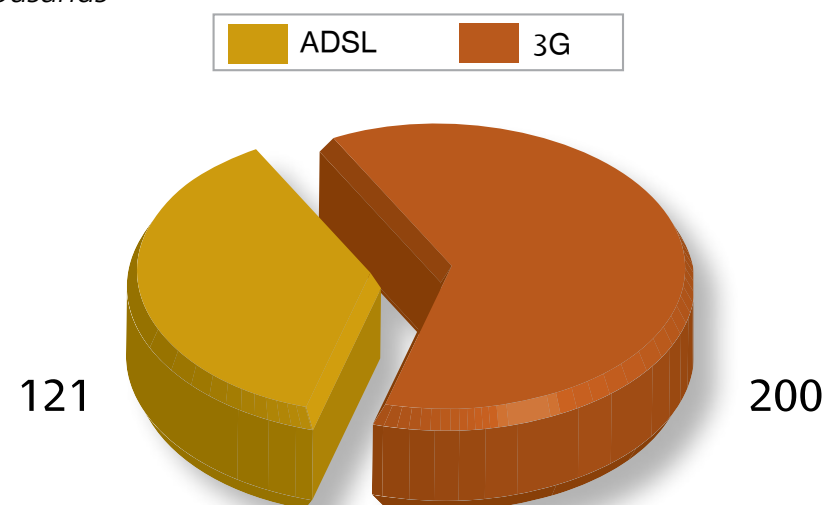
Mobile -internet

Mobile Internet Subscribers (3G)

(In thousands)

Explanation	2009	2010	2011
3G	40	103	200
ADSL	34.6	69.8	121.3

thousands



Manpower

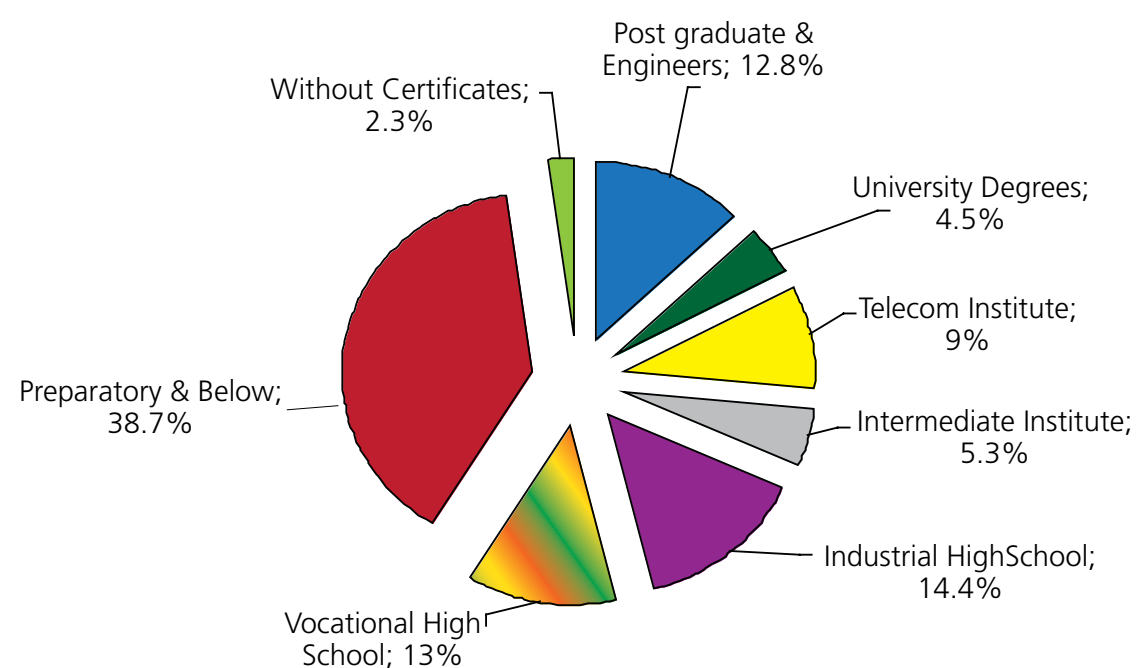
The process of transformation to a corporation has imposed big challenges and great difficulties whether in sustaining its position among local and regional competitors or meeting customers' needs and expectations; from this point of view we realized that only by a well qualified staff we will be able to provide best

services and keep pace with international telecommunication standards to improve corporation performance in line with its strategy.

Staff

STE staff reached (23,869) at the end of 2011, 12.8% of them are engineers. The following table demonstrates STE staff in term of qualification during 2011:

Certificates	Permanent	Annual contracts
PhD	4	
Postgraduate in Administration	11	
Master engineer	9	
Diploma engineer	29	
Diploma non-engineer	4	
Engineers	2987	34
University degree	1072	38
Telecom institute	2168	0
Intermediate institute	1262	15
Industrial & technical & Commercial high school	3428	1221
Vocational high school	3108	0
Preparatory and below	9234	1327
Without certificate	553	108
Total	23869	2743



Taking into consideration that STE continues to increase the proportion of employees of high certificate and decrease employees of preparatory and below, keeping balance required for each work.

Staff to subscriptions

Explanation	2007	2008	2009	2010	2011
Staff for 1000 subscribers	6.8	6.5	6.1	5.7	5.5
Subscriptions per Employee	145.8	153	163	173.8	179.6

Training

- STE has completed an internal and external training plan that suits the needs. According to this plan we performed (422) training courses and trained (5472) employees in all fields technical, administrative, commercial, IT and languages.
- During summer STE trained some students of Damascus University in telecommunication and

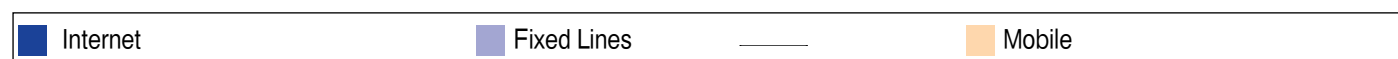
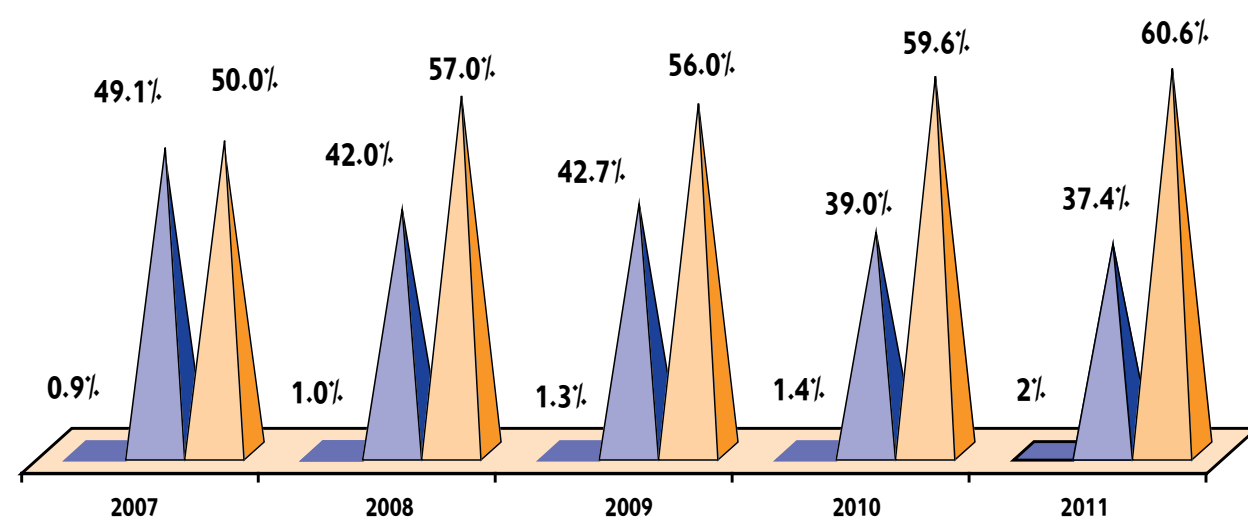
information fields. We trained (35) students from different universities and (40) students from intermediate institutes in different fields.

- In the framework of the agreement signed between Ministry of Telecommunication and Technology and Higher Institute of Business Administration (HIBA), we set a master specialized in telecommunication and information regulatory, (11) employees have joined this master.

Consolidate statement

Financial situation Revenues (million SP)

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
Fixed line	26971	25857	31175	29983	28692	1.6%
Change %	5.86%	-4.13%	20.57%	-3.82%	-4.3%	
Internet	502	670	858	1069	1659	34.8%
Change %	25.81%	33.47%	28.06%	24.59%	55.2%	
Telegraph & Telex	136	120	69	65	22	- 36.6%
Change %		- 11.7	- 42.5	5.8	- 66	
Total revenues (without mobile)	27609	26647	32102	31117	30373	2.4%
Change %	6.05%	-3.48%	20.47%	-3.07%	-2.4%	
Mobile phone	27362	35324	41003	45844	46971	14.5%
Change %	43.39%	29.10%	16.08%	11.81%	2.5%	
Total revenues	54971	61971	73105	76961	77344	8.9%
Change %	21.85%	12.73%	17.97%	5.27%	0.5%	



Earnings

(million S.P)

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
EBT	40101	44382	52259	55660	53861	7.65%
Change %	17.65%	10.68%	17.75%	6.51%	-3.2%	
Income Tax	11417	12418	16689	17790	16875	10.26%
Change %	-3.77%	8.77%	34.39%	6.60%	-5.1%	
Net-profit	28684	31964	35570	37870	36986	6.56%
Change %	29.09%	11.43%	11.28%	6.47%	2.3%	

Fixed network revenues distributed as follows:

Fixed line services revenues details

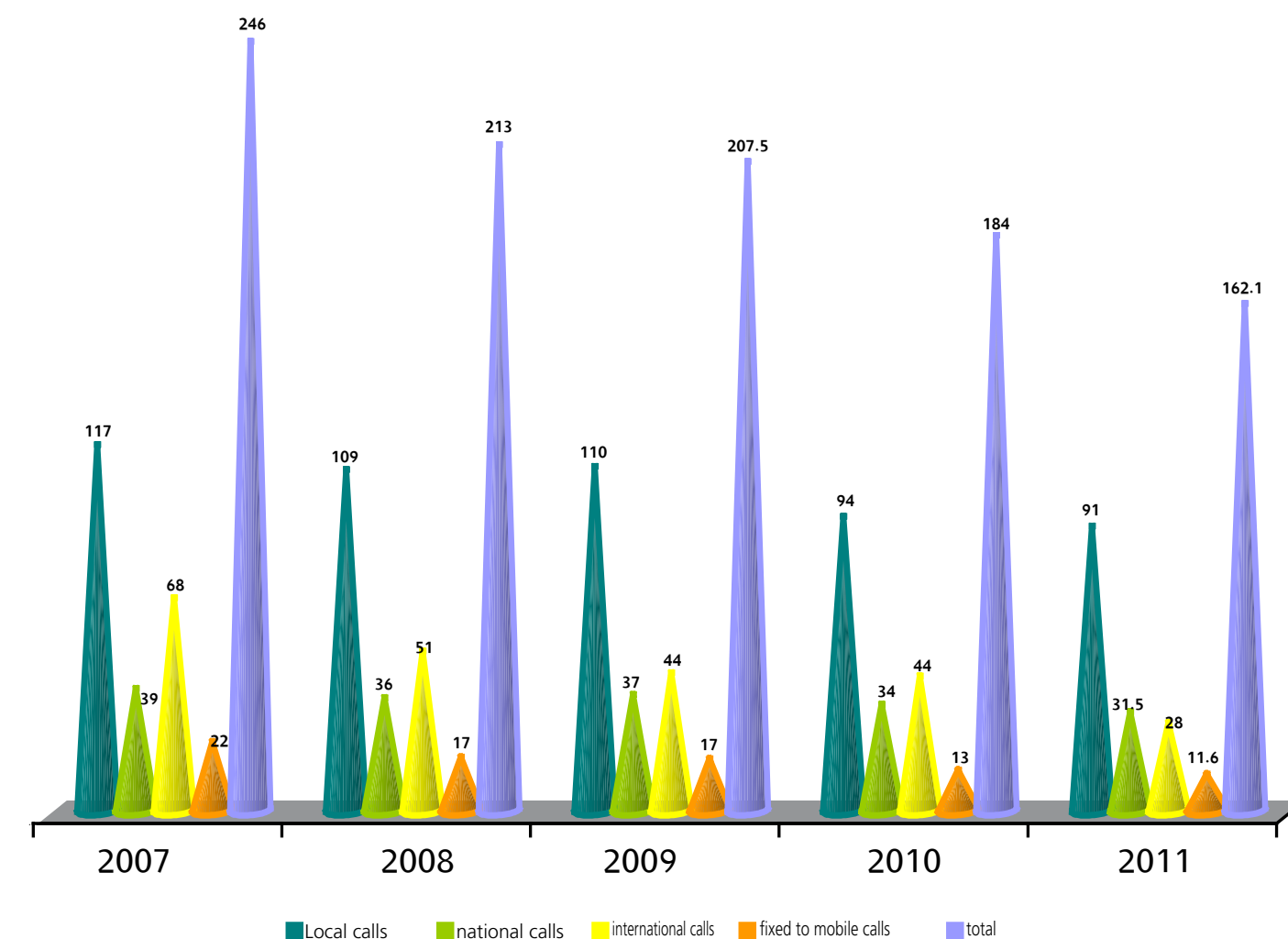
(million S.P)

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
Installation, transfer, reconnection & waiver fees.	730	862	855	1216	1065	2.13%
subscription fees	1705	1747	1787	1980	2131	11.25%
local calls revenues	4846	4757	5130	4570	4624	2.05%
National calls revenues	1623	1559	1722	1669	1672	-0.92%
fixed outgoing international calls revenues	2798	2202	2063	2121	1506	-19.21%
Interconnection revenues, fixed-mobile	903	745	766	644	634	-12.49%
IN & INMARSAT revenues	96	35	2	23	4	-61.17%
Licenses, circuits, buildings, construction, features, & frequency protection charges	3114	2354	5689	5319	4401	18.63%
Mobile international calls revenues	4407	4679	4829	5178	4349	-10.78%
Interconnection revenues mobile-fixed	337	337	299	281	254	-34.24%
Other revenues	1113	1125	733	1499	714	-19.57%
International settlement revenues	5299	5455	7300	5483	7337	19.54%
Total fixed Network revenues	26971	25857	31175	29983	28691	3.01%

ARPU per month, for fixed lines- Traffic

S.P

Explanation	2007	2008	2009	2010	2011	CAGR 2007-2011
local calls	117	109	110	94	89.8	-6.4%
Change%	6.4%	-6.8%	0.9%	-14.5%	-4.5%	
national calls	39	36	37	34	32.5	-4.5%
Change%	-11.4%	-7.7%	2.8%	-8.1%	-4.4%	
international calls	68	51	44	43	29.3	-19%
Change%	-25.3%	-25%	-13.7%	-2.3%	-31.9%	
Fixed to mobile Calls	22	17	16.5	13	12.3	-13.5%
Change%	-21.4%	-22.7%	-2.9%	-21.2%	-5.4%	
Total	246	213	207.5	184	163.9	-9.7%
Change%	-9.9%	-13.4%	-2.6%	-11.3%	-10.9%	



Financial statement for the fiscal year concluded on 31.12.2011

(Thousands)

Account Name	Long term assets	
	2011	2010
		Assets
Lands	521.332	474.453
buildings, utilities and roads	7.079.311	6.871.767
total buildings, utilities and roads depreciation	1.854.835	1.682.007
Net buildings, utilities and roads	5.224.477	5.189.760
Machinery and devices	88.411.796	84.198.583
total machinery and devices depreciation	45.566.708	40.676.104
Net machines and devices	42.845.088	43.522.479
Transportation and transfer means	2.037.575	1.919.559
total transportation and transfer means depreciation	1.793.392	1.730.318
Net transportation	244.183	189.241
Tools	376.818	357.908
Total tools depreciations	287.589	258.132
Net tools	89.229	99.775
Furniture and office equipments	1.802.831	1.634.835
total furniture and office equipments depreciation	1.444.135	1.353.085
Net furniture and office equipments	358.697	281.750
Net assets	49.283.005	49.757.459
Intangible assets	5.759.513	5.300.583
Low value allocation	3.966.420	3.323.975
Net intangible assets	1.793.092	1.976.608

Underway projects	69.713.578	55.882.002
Investment configuraion	29.543.543	21.945.440
Investment expenditure	0	0
Credits and advances to purchase fixed assets	40.170.035	33.936.562
Long term investments	470.981	516.341
Investments in subscribers companies shares	0	0
Investments in associated companies shares	470.981	516.341
Inventory	14.344.601	13.029.470
Receivables	24.794.132	20.223.509
allowance and short term allowance and insurance	297.529	309.138
Various receivable accounts	185.676.164	159.007.635
Due and current revenues and allocations	12.546.760	12.401.297
current constructions and branches	28.000	65
Plan accounts (surplus)	173.157.403	146.606.403
Cash and cash average	0	0
Cash	397.847	135.367
Current account bank	5.457.176	12.563.961
Permenant credits	40.014	9.337
Total Cash and cash average	5.895.038	12.708.665
Total current assets	231.478.444	205.794.758
Total assets	352.268.120	313.410.827

liabilities

Account Name	2011	2010
Proprietary Rights	282.117.682	244.116.956
Paid Capital	2.540.000	2.540.000
Regular Reserves	32.293.887	32.293.887
Fixed Assets Reserves	2.626.150	2.626.150
Returned Profits	243.303.398	206.317.010
Investments in Execution of Business Plan	299.595	299.595
Gifts & Benefits in kind	54.652	40.314
Allowance for doubtful debts	1.000.000	0
Long-term Liabilities	26.509.090	28.314.699
Local Loans	11.210.002	11.228.640
External Loans	15.299.088	17.086.059
Short-term Liabilities	0	0
Accounts Payable	26.076.926	22.818.983
Suppliers	19.121.538	16.173.076
Securities	0	0
Bonds for Others	5.847.148	5.644.645
Finance Departments	852.461	774.306
Est. of Pension & Retirement	52.292	34.140
Other Accounts Payable	203.488	192.816
Received Earnings	29.009	0
Accrued & Unpaid Expense	660.601	369.747
Reserves for Taxes	16.874.811	17.790.442
Total Short-term Liabilities	43.641.348	40.979.173
Total Liabilities & Proprietary Rights	352.268.120	313.410.827

Statement of Current processes 2011

(Thousands)

Account Name	Amount	Account Name	Amount
Telephone Revenues	28.634.704	Commodity Items	554.183
IN Revenues	1.070	Service Required Items	1.954.562
Mobile Revenues	46.971.053	Production Required Items	2.508.745
Internet Revenues	1.659.168	Total Value Added	74.782.465
Wire Revenues	22.131		
Telex Revenues	105		
Inmarst Revenues	2.980		
Total	77.291.210	Total	77.291.210
		Taxes & Fees	44.511
Total Value Added	74.782.465	Depreciation Expenses	5.889.457
		Value-added per Cost of	68.848.469
Total	74.782.465	Total	74.782.465
Value Added per Production Factors	68.848.496	Wages	8.160.578
		Public Relations & Reception	1.472
		Cash Grants	0
		External Interests	560.800
		Rental	1.730
		Total	8.724.580
		Net Current Activiy	60.123.916
Total	68.848.496	Total	68.848.496
Net Current Activity	60.123.916	Benefits to Others	0
Revenues from Operation for Others	42.399	Compensations & Fines <Third Parties	5.719
Various Revenues	10.275	Capital Losses	0
		Provision of doubtful debts	1.000.000
		Previous Years Expenses	924
		Other Various Expenses	5.308.746
		Net Profit	53.861.199
Total	60.176.590	Total	60.176.590
Net Profit	53.861.199	Reserves for Income Tax	16.874.811
		Net Transferred Surplus	36.986.388
Grand Total	53.861.199	Grand Total	53.861.199

Income statement of the fiscal year expired on 31.12.2011

(Thousands)

Account Name	2011	2010
revenues		
Non STE operation revenues	42.399	18.571
land lines revenues	28.119.759	28.596.880
GSM revenues	46.971.53	45.844.147
Internet revenues	1.659.168	1.068.842
total main activity revenues	76.792.379	75.528.441
sold product cost	22.536.418	19.618.545
product cost for sale	0	.
Marketing expenditure	0	0
Activity cost	22.536.418	19.618.945
Total profit "deficit"	54.255.961	55.909.496
Added sustenance		
Trade profit	54.255.961	55.909.496
miscellaneous revenues addition	0	.
Securities revenues	0	0
Payable rent	31.361	30.759
scrap and raw material revenues	43.421	47.595
others compensations and fines for STE	91.926	222.547
commissions	6	.
total miscellaneous revenues	166.713	300.900
minus administrative expenditure	0	.
administrative commitments	0	.
Subscription to local and international orgs.	359.361	500.708

insurance expenditure "except staff insurance"	11.554	10.758
miscellaneous commissions	2.706	311.986
contribution to central apparatus expenditure	2.000	2000
Public relations & reception	1.472	4.274
Staff cash rewards	0	175.090
Actual rents	1.730	1.145
Fines and compensations for others	5.719	14.011
Total administrative expenditure	384542	1.019.971
Net operational profit	54.038.132	55.190.425
capital and funding revenues addition	384.792	1.131.492
Capital revenue	(1.566)	1.086))
Previous years revenues	96.418	1.059.259
Payable interests	1.362	3.559
Miscellaneous revenues	288.578	69.761
minus capital loss and funding expenditure	561.725	661.785
Receivable interests	560.800	655.339
Capital loss	1	295
Previous years expenditure	924	6.151
Net profit	53.861.199	55.660.132
Minus profit income tax	16.643.891	17.200.795
minus profit income tax	230.920	589.647
Distributable net profit	36.986.388	37.869.689