Maroc Telecom

2012 FINANCIAL REPORT

CONTENTS

CONSOLIDATED FINANCIAL DATA FOR THE PAST THREE YEARS

Maroc Telecom Group's consolidated financial data is summarized in the following table. Selected financial data from the three fiscal years ended December 31, 2010, 2011, and 2012, were drawn from Group consolidated financial statements prepared in compliance with International Financial Reporting Standards (IFRS) and audited by the statutory auditors Abdelaziz Almechatt and Fouad Lahgazi of KPMG Maroc.

1.1 CONSOLIDATED FINANCIAL DATA IN MOROCCAN DIRHAMS

Statement of comprehensive income

(In MAD millions)	2010 adjusted	2011	2012
Revenues	**31,617**	**30,837**	**29,849**
Operating expenses	17,290	18,461	18,892
Earnings from operations	**14,327**	**12,375**	**10,957**
Earnings from continuing operations	14,270	12,333	10,930
Net earnings	**9,941**	**8,447**	**7,279**
Attributable to equity holders of the parent	9,533	8,123	6,705
Earnings per share (in MAD)	10.8	9.2	7.6
Diluted earnings per share (in MAD)	10.8	9.2	7.6

Statement of financial position

ASSETS (In MAD millions)	12/31/2010 adjusted	12/31/2011	12/31/2012
Noncurrent assets	34,866	35,743	36,122
Current assets	12,221	12,898	11,825
TOTAL ASSETS	**47,088**	**48,641**	**47,948**

SHAREHOLDERS' EQUITY AND LIABILITIES (In MAD millions)	12/31/2010 adjusted	12/31/2011	12/31/2012
Share capital	5,275	5,275	5,275
Shareholders' equity, Group share	18,996	17,781	16,294
Noncontrolling interests	4,396	4,304	4,399
Shareholders' equity	23,392	22,085	20,693
Noncurrent liabilities	3,339	2,838	1,954
Current liabilities	20,357	23,718	25,302
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**47,088**	**48,641**	**47,948**

1.2 CONSOLIDATED FINANCIAL DATA IN EUROS

The Group reports its financial data in Moroccan dirhams. This section is intended to provide investors with comparable data in euros.

The following table sets out the MAD/EUR exchange rates used in the Vivendi Group's consolidated financial statements for the years 2010, 2011, and 2012.

For 1 euro	12/31/2010	12/31/2011	12/31/2012
Period-end rate used for the balance sheet	11.1353	11.1181	11.1516
Average rate used for the income statement	11.1671	11.2569	11.1010

(Source: Vivendi)

The above exchange rates are provided for convenience only. The Group does not claim that the amounts denominated in Moroccan dirhams were, could have been, or could be converted into euros at such exchange rates or at any other rate. For information relating to the impact of foreign-exchange fluctuations on the Group's earnings, see section 2.3 "Qualitative and quantitative information on market risk."

The following table sets out selected consolidated financial data for Maroc Telecom Group in euros, translated at the exchange rates used for Vivendi Group's consolidated financial position and earnings for the years 2010, 2011, and 2012.

Statement of comprehensive income

(In € millions)	2010 adjusted	2011	2012
Revenues	**2,831**	**2,739**	**2,689**
Cost of purchases	1,548	1,640	1,702
Earnings from operations	**1,283**	**1,099**	**987**
Earnings from continuing operations	1,278	1,096	985
Net earnings	**890**	**750**	**656**
Attributable to equity holders of parent	854	722	604
Earnings per share (in euro)	1.0	1.0	0.7
Diluted earnings per share	1.0	1.0	0.7

Statement of financial position

ASSETS (In € millions)	12/31/2010 adjusted	12/31/2011	12/31/2012
Noncurrent assets	3,131	3,215	3,239
Current assets	1,098	1,160	1,060
TOTAL ASSETS	**4,229**	**4,375**	**4,300**

SHAREHOLDERS' EQUITY AND LIABILITIES (In € millions)	12/31/2010 adjusted	12/31/2011	12/31/2012
Share capital	474	474	473
Shareholders' equity, Group share	1,706	1,599	1,461
Noncontrolling interests	395	387	394
Shareholders' equity	2,101	1,986	1,856
Noncurrent liabilities	300	255	175
Current liabilities	1,828	2,133	2,269
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**4,229**	**4,375**	**4,300**

OVERVIEW

The discussion and analysis that follow should be read in conjunction with the entire document, particularly with the audited consolidated financial statements that comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity, and the notes to the financial statements for the years ended December 31, 2010, 2011, and 2012.

2.1 SCOPE OF CONSOLIDATION

At December 31, 2012, Maroc Telecom consolidated in its financial statements the entities:

Mauritel

Maroc Telecom holds 51.5% of the voting rights of Mauritel, the incumbent operator in Mauritania and operator of a fixed-line and mobile telecommunications network, subsequent to the merger of Mauritel SA (fixed line) and Mauritel Mobile. Mauritel S.A. is owned by the holding company Compagnie Mauritanienne de Communications (CMC), in which Maroc Telecom holds an 80% equity stake and consequently a 41.2% interest in Mauritel. Mauritel has been fully consolidated by Maroc Telecom since July 1, 2004.

Onatel

On December 29, 2006, 51%, Maroc Telecom acquired 51% of the capital of the Burkina Faso operator Onatel, and 100% of its mobile subsidiary, Telmob. Onatel has been fully consolidated by Maroc Telecom since January 1, 2007.

The merger of Onatel and Telmob, its mobile subsidiary, has been completed. Postmerger financial statements were prepared for FY 2011, with retroactive effect for FY 2010.

Gabon Telecom

On February 9, 2007, Maroc Telecom acquired 51% of the capital of Gabon Telecom and 100% of its mobile subsidiary, Libertis. Gabon Telecom has been fully consolidated by Maroc Telecom since March 1, 2007.

The merger of Gabon Telecom and Libertis, its mobile subsidiary, has been completed. Postmerger financial statements have been prepared for FY 2012, with retroactive effect for FY 2011.

Sotelma

On July 31, 2009, Maroc Telecom acquired a 51% stake in Mali’s incumbent operator, Sotelma. Sotelma has been fully consolidated by Maroc Telecom since August 1, 2009.

Casanet

Casanet is a Moroccan Internet provider established in 1995. In 2008, the company became a 100% subsidiary of Maroc Telecom and expands its activities by specializing in information engineering. Casanet has been fully consolidated by Maroc Telecom since January 1, 2011.

The following entities are not or are no longer consolidated by Maroc Telecom Group in its financial statements:

Medi-1-Sat

The Medi-1-Sat company was established to produce and broadcast TV programs in French and Arabic. The channel began broadcasting on December 1, 2006.

Medi-1-Sat has been accounted for by the equity method since 2006. At December 31, 2008, Maroc Telecom held a 36.8% equity interest in the company. After a series of capital transactions in 2009, Maroc Telecom’s equity interest in Medi-1-Sat fell to 30.5% at December 31, 2009, to 4.79% in 2010, and to 3.39% in 2011. Since December 2010, Medi-1-Sat has no longer been accounted for by the equity method in Group financial statements.

Other nonconsolidated investments

Maroc Telecom's other nonconsolidated investments include an equity interest in ArabSat, which operates and distributes telecommunications systems, MT FLY, and other noncontrolling interests. These companies are not consolidated because their results do not have a material impact on Maroc Telecom Group's financial statements.

2.2 COMPARISON OF RESULTS BY GEOGRAPHICAL AREA

Note:

The comparable basis reflects constant exchange rates among the MAD, Mauritanian Ouguiya, and CFA Franc currencies. Results by geographical area are as follows:

(In MAD millions)	2010 restated	2011	2012
Revenues[1]	**31,617**	**30,837**	**29,849**
Morocco	26,191	25,030	23,178
International	5,572	6,066	7,079
Mauritania	1,184	1,202	1,375
Burkina Faso	1,764	1,733	2,067
Gabon	1,044	1,047	1,291
Mali	1,575	2,123	2,422
Mobisud	28	0	0
Earnings from operations before depreciation and amortization	**18,605**	**16,996**	**16,703**
Morocco	16,217	14,557	13,414
International	2,388	2,439	3,290
% Revenues	**58.8%**	**55.1%**	**56.0%**
Earnings from operations	**14,327**	**12,375**	**10,957**
Morocco	13,209	11,262	9,219
International	1,118	1,113	1,738
% Revenues	**45.3%**	**40.1%**	**36.7%**
Net earnings, Group share	**9,532**	**8,123**	**6,705**
% Revenues	**30%**	**26%**	**22%**
CAPEX	**6,535**	**5,793**	**5,385**
Morocco	4,253	3,882	3,792
International	2,281	1,911	1,592

1 Group revenues net of eliminations.

2.2.1 Comparison of financial data for fiscal years 2011 and 2012

2.2.1.1 Group Consolidated results

Revenues

At December 31, 2012, Maroc Telecom Group had consolidated revenues of MAD 29,849 million, a decline of 3.2% from revenues in 2011 (-3.0% like for like). This performance is attributable to lower revenue in Morocco (-7.4%), where mobile price cuts and reduced termination rates were only partially compensated for by strong growth (17%) in international revenue.

Group revenues in the fourth quarter declined by 3.9% from the previous year, to MAD 7,332 million.

The Group customer base came to just under 33 million customers, a strong rise of 13.5% from the previous year. This excellent momentum is due mainly to growth in the international customer base, up 30% year on year, to 13.1 million customers.

Earnings from operations before depreciation and amortization

In 2012, Maroc Telecom Group's earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 16,703 million, 1.7% less than in 2011 (-1.6% like for like). The 7.9% decline in EBITDA in Morocco was compensated for by strong growth (+35%, and +36% like for like) in international EBITDA. However, with gross margin up 1.3 pts and operating expenses down 1.5%, the EBITDA margin improved by 0.8 pts from the previous year, to a substantial 56.0%.

In the fourth quarter, EBITDA came to MAD 4,177 million, a rise of 1.4% from EBITDA in 2011 (+1.6% like for like).

Earnings from operations

At December 31, 2012, Maroc Telecom Group's consolidated earnings from operations (EBITA) amounted to MAD 10,957 million, down 11.5% from a year earlier (-11.4% like for like). Excluding restructuring costs, earnings from operations came to MAD 11,835 million. This decline of 4.4% year on year (-4.3% like for like) nevertheless resulted in a substantial margin of 39.6%, down a modest 0.5 pts. Higher amortization and depreciation charges (+5.2%) for major capital expenditure programs carried out in recent years, particularly outside Morocco, explain the decline in earnings from operations.

An additional restructuring charge of MAD 77 million was booked in fourth-quarter 2012, after the completion of the voluntary redundancy plans in Mali and Mauritania. This charge came in addition to a charge for MAD 800 million recognized in second-quarter 2012 in Morocco, bringing total restructuring charges to MAD 877 million for FY 2012 and accounting for the departure effective December 31, 2012, of 1,521 employees (i.e., 11.2% of Group headcount).

Net income

Maroc Telecom Group's share of net income in 2012 amounted to MAD 6,705 million, down 17% (-17% like for like) because of restructuring charges and a nonrecurrent contribution of MAD 204 million to the Moroccan solidarity fund.

Excluding those items, net income fell 7.7%, to MAD 7,496 million.

Distributable earnings for the same period amounted to MAD 6,505 million, down 20%, compared with 2011.

Capital expenditure

In 2012, capital expenditure reached MAD 5,385 million, a decline of 7%.

2.2.1.2 Activities in Morocco

IFRS in MAD millions	2011	2012
Revenues	25,030	23,178
Mobile	**18,935**	**17,477**
Services	*18,182*	*16,979*
Equipment	753	*498*
Fixed line	**7,432**	**6,669**
Fixed-line data[2]	*1,695*	*1,757*
Elimination	**-1,337**	**-968**
Earnings from operations before depreciation and amortization	14,557	13,414
Margin (%)	*58.2%*	*57.9%*
Earnings from operations – before restructuring	11,262	10,020
Margin (%)	*45.0%*	*43.2%*
Earnings from operations	11,262	9,219

Activities in Morocco in 2012 generated revenue of MAD 23,178 million, a decline of 7.4% attributable to the impact of additional price cuts in the mobile segment, successive reductions in mobile termination rates (in January and July 2012), and the cannibalization of fixed revenue by the mobile segment.

Earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 13,414 million, a decline of 7.9%, with the EBITDA margin nearly stable (-0.3 pts) at a substantial 57.9%. This performance was the result of a determined policy to reduce subsidies on handset sales, a policy that raised the gross margin by 0.8 pts and lowered operating expenses by 2.9%, much of which was attributable to the initial effects of the voluntary redundancy plan.

Earnings from operations (EBITA) declined 18%, to MAD 9,219 million. Excluding restructuring charges, EBITA declined by 11.0%, to MAD 10,020 million, resulting in a 43.2% margin. This change can be explained by the decline in earnings from operations before depreciation and amortization (EBITDA) and by the 1.9% rise in depreciation charges for significant capital expenditures carried out in recent years.

2 Fixed-line data include internet, ADSL TV, and date services to businesses.

Mobile

	Unit	2011	2012
Mobile			
Customer base	**(000)**	**17,126**	**17,855**
Prepaid	*(000)*	*16,106*	*16,656*
Postpaid	*(000)*	*1,019*	*1,199*
o/w 3G internet	*(000)*	*1,102*	*1,546*
ARPU	(MAD per month)	87.3	78.6
Data in % of ARPU	*(%)*	*9.6%*	*11.1%*
MOU	(Min/month)	85	*122*
Churn	(%)	23.3%	20.8%
Prepaid	*(%)*	*24.8%*	*22.2%*
Postpaid	*(%)*	*13.4%*	*15.5%*

The mobile segment in 2012 generated revenues of MAD 17,477 million (-7.7%). Mobile revenues came to MAD 4,184 million in the fourth quarter, a year-on-year decline of 9.1% attributable to the economy and to an unfavorable competitive environment.

The mobile customer base grew 4.3% from the previous year, to 17.855 million customers. This rise was due to the 3.4% growth in the prepaid customer base (+550,000 customers) and to solid momentum from the high-value postpaid customer base (+180,000 customers), each the result of marketing actions taken to enhance the product offer and to encourage the migration of prepaid customers to subscription plans. The churn rate has improved substantially, to 20.8% (-2.5 pts from 2011).

With Maroc Telecom's price cuts of 34% raising outgoing consumption by 42%, outgoing mobile revenues declined by 4.7% from a year earlier. Revenues from mobile services fell by 6.6% because of the 14.3% decline in incoming revenues due to reductions in Maroc Telecom mobile termination rates carried out in two tranches since January 1, 2012, including one of 30% on July 1, 2012, for total reductions of 56% over 12 months. Equipment revenues fell by 34% as a result of Maroc Telecom's determination to limit its acquisition costs.

Blended ARPU for 2012 came to MAD 79 (-10.0%), with outgoing ARPU down by 7.8%. The impact of substantial price cuts in the mobile segment, of reduced termination charges, and of customer-base growth was partially compensated for by a strong rise in outgoing voice consumption (+42%) and by growth in data services, which represent 11.1% of ARPU (+1.5 pts more than in 2011).

The 3G mobile internet customer base grew 40%, to 1.5 million customers at December 31, 2012, confirming Maroc Telecom's leadership position. At December 31, 2012, Maroc Telecom's market share in the mobile segment stood at just under 47.2% (source: ANRT).

Fixed line and internet

	Unit	2011	2012
Fixed line			
Fixed lines	**(000)**	**1,241**	**1,269**
Broadband access	**(000)**	**591**	**683**

At December 31, 2012, the fixed-line and internet activities in Morocco had generated revenues of MAD 6,669 million, a decline of 10.3% year on year. This performance reflects the sharp decline in public telephony—still subject to aggressive competition from the mobile segment—and the reduction in the first half of the year of fixed-line rates, now relatively unattractive after the completion of significant price cuts in the mobile segment. Note that in fourth-quarter 2012 the decline in fixed-line revenues slowed dramatically, ending at -6.3%, compared with -12.4% in third-quarter 2012.

Revenues from fixed-line data rose 3.6%, to MAD 1,757 million, while customer-base growth more than compensated for price cuts.

At December 31, 2012, the fixed-line customer base in Morocco had grown by 2.3% year on year, to 1.269 million lines. Strong growth (+16%, to 683,000 subscribers) in the ADSL customer base was underpinned by enhanced rate plans and doubled bandwidth for the same price.

2.2.1.3 International activities

IFRS in MAD millions	2011	2012
Revenues	6,066	7,079
Mauritania	**1,202**	**1,375**
Mobile services	*1,033*	*1,257*
Burkina Faso	**1,733**	**2,067**
Mobile services[3]	*1,401*	*1,694*
Gabon	**1,047**	**1,291**
Mobile services[3]	*510*	*688*
Mali	**2,123**	**2,422**
Mobile services	*1,767*	*2,055*
Elimination	**-39**	**-76**
Earnings from operations before depreciation and amortization	**2,439**	**3,290**
Margin (%)	*40.2%*	*46.4%*
Earnings from operations	**1,113**	**1,738**
Margin (%)	*18.3%*	*25.6%*

Maroc Telecom Group's international operations grew strongly in 2012 (+17%, and +18% like for like), with revenues totaling MAD 7,079 million. This performance—despite economic and political difficulties in Mali—was the combined result of a very strong expansion of mobile customer bases (+32%), enhanced plan offers, and increased customer consumption. The competitive environment was stable in 2012.

Earnings from operations before depreciation and amortization (EBITDA) grew by 35% year on year (+36% like for like), to MAD 3,290 million. EBITDA margin (46.4%) rose by 6.2 pts as a consequence of gross-margin growth of 1.4 pts and a moderate rise (1.9%) in operating expenses (+2.7% like for like).

Earnings from operations (EBITA) amounted to MAD 1,738 million, up 56% (+57% like for like) from the previous year. Excluding total restructuring charges of MAD 77 million for voluntary redundancy plans carried out in Mauritania and Mali, earnings from operations came to MAD 1,815 million, up 63% and representing a margin of 25.6%. This change can be explained by growth in earnings from operations before depreciation and amortization (EBITDA), despite a 13.6% rise in depreciation charges (+14.7% like for like) for significant capital expenditure in recent years.

[3] Revenues generated by Gabon Telecom's inbound and outbound mobile international call traffic are accounted for directly under mobile activity for 2012, whereas before they were recorded as transit revenues of Gabon Telecom's fixed-line operations. Data for 2011 have therefore been adjusted to reflect this change.

Mauritania

	Unit	2011	2012
Mobile			
Customer base	(000)	1,747	2,013
ARPU	(MAD per month)	47.1	53.3
Fixed lines	**(000)**	**41**	**41**
Broadband access	**(000)**	**7**	**7**

At December 31, 2012, activities in Mauritania had generated annual revenues of MAD 1,375 million, a rise of 14.3% (+12.6% like for like) reinforced by the mobile segment, whose service revenues advanced 22% (+20% like for like) in the wake of growth of the mobile customer base (+15%), the increase in outgoing consumption (+11%), and the stabilization of rates (-1.2%). The fixed-line customer base was stable, at 41,245 lines, while the internet customer base expanded 2.5%, to 6,887 clients.

Burkina Faso

	Unit	2011	2012
Mobile			
Customer base	(000)	2,971	3,872
ARPU	(MAD per month)	40.7	39.5
Fixed lines	**(000)**	**142**	**141**
Broadband access	**(000)**	**31**	**30**

Despite price cuts of 17%, operations in Burkina Faso generated revenues of MAD 2,067 million, 19% more than revenues in 2011 (+21% like for like). This growth was a consequence of expansion in the mobile customer base (+30%) and an increase in outgoing consumption (+13.6%). The fixed-line customer base was stable, at nearly 141,000 customers, while the internet customer base declined by 3.6%, to just under 30,000 clients.

Gabon

	Unit	2011	2012
Mobile			
Customer base	(000)	532	777
ARPU	(MAD per month)	97.8	79.2
Fixed lines	**(000)**	**22**	**18**
Broadband access	**(000)**	**24**	**8**

Revenues in Gabon amounted to MAD 1,291 million, 23% more than revenues in 2011 (+25% like for like). They were generated mainly by strong growth in the mobile segment, whose service revenues rose 35% (+37% like for like) because of substantial growth in the mobile customer base. Gabon Telecom also benefited from Gabon and Guinea's hosting of the Africa Cup of Nations at the beginning of 2012.

As a result of sustained marketing actions and network expansion, the mobile customer base grew by 46%. The Fixed-line (-20%) and Internet (-67%) customer bases decreased after an update of the CDMA prepaid customer bases.

Mali

	Unit	2011	2012
Mobile			
Customer base	(000)	4,376	6,023
ARPU	(MAD per month)	45.3	33.2
Fixed lines	**(000)**	**94**	**98**
Broadband access	**(000)**	**37**	**45**

Despite the political turmoil that has embroiled the country, activities in Mali generated revenues in 2012 of MAD 2,422 million, a rise of 14.1% (+16% like for like) attributable to very strong growth in Mobile (+38%), Fixed-line (+4.8%), and Internet (+21%) customer bases. Fourth-quarter revenues in Mali grew by 8.7% year on year (+9.8% like for like).

2.2.2 Comparison of financial data for 2010 and 2011

2.2.2.1 Group Consolidated results

Revenues

In 2011, Maroc Telecom Group generated consolidated revenues of MAD 30,837 million, a decline of 2.5% year on year and 2.3% like for like. This decline is the result of lower revenues in Morocco (-4.4%), in an operating environment of extreme price cuts in the mobile segment, compensated for partly by solid growth in international business (+8.9%).

Earnings from operations before depreciation and amortization

At December 31, 2011, Maroc Telecom Group EBITDA amounted to MAD 16,996 million, a decline of 8.6% from a year earlier (-8.6% like for like). This performance was the result of a decrease of EBITDA in Morocco, partially compensated for by a slight increase (2.1%, or 2.8% like for like) in international-business EBITDA. The EBITDA margin nonetheless remains high, at 55.1%.

Earnings from operations

Maroc Telecom Group's consolidated adjusted earnings from operations before depreciation and amortization (EBITA) in 2011 amounted to MAD 12,375 million, 13.6% less than earnings from operations in 2010 (-13.6% like for like). This decline is the result of lower earnings from operations before depreciation and amortization, and of higher amortization expenses related to substantial capital expenditure in Morocco and abroad.

Net earnings and distributable earnings

Maroc Telecom Group's share of net earnings for 2011 came to MAD 8,123 million, 14.8% less than in 2010 (-14.8% like for like). This decline is the result of lower EBITA and higher financial costs (+21%).

Distributable earnings for 2011 amounted to MAD 8,140 million, 12.7% less than in 2010.

Capital expenditure

In 2011, capital expenditures decreased by 11.4%, to MAD 5.8 billion.

2.2.2.2 Activities in Morocco

In MAD millions	2010	2011
Revenue	26,191	25,030
Mobile	**19,649**	**18,935**
Services	*18,512*	*18,182*
Equipment	*1,137*	*753*
Fixed line	**8,533**	**7,432**
Elimination	**-1,991**	**-1,337**
Earnings from operations before depreciation and amortization	16,217	14,557
Margin (%)	*61.9%*	*58.2%*
Earnings from operations	13,209	11,262
Margin (%)	*50.4%*	*45.0%*

In 2011, Group activities in Morocco generated net revenues of MAD 25,030 million, a decrease of 4.4%.

Earnings from operations before depreciation and amortization (EBITDA) reached MAD 14,557 million, 10.2% less than in the previous year. It is noteworthy that overall direct and operating costs, excluding the sharp increase in taxes and regulatory fees, rose by only 1.8%, despite growth of 24% in voice-call traffic on the Maroc Telecom mobile network.

Earnings from operations before amortization (EBITA) amounted to MAD 11,262 million, 14.7% less than in the previous year. This change was due to lower EBITDA and higher (+5.9%) depreciation costs for significant capital expenditures carried out in recent years.

Mobile

	Unit	2010	2011
Mobile			
Customer base	**(000)**	**16,890**	**17,126**
Prepaid	*(000)*	*16,073*	*16,106*
Postpaid	*(000)*	*817*	*1,019*
3G internet	*(000)*	*549*	*1,102*
ARPU	(MAD per month)	93	87
Data in % of ARPU	*(%)*	*8.6%*	*9.6%*
MOU	(Min/month)	70	85
Churn	(%)	29.0%	23.3%
Postpaid	(%)	13.4%	13.4%
Prepaid	(%)	30.2%	24.8%

At December 31, 2011, revenues from the mobile segment had declined year on year by 3.6%, to MAD 18,935 million.

With price cuts of 25% that encouraged a 27% rise in consumption in the Maroc Telecom mobile segment, service revenues were down only slightly (-1.8%) from 2010, whereas equipment sales declined by 33.8% because of Maroc Telecom's desire to limit purchase costs.

Blended ARPU in 2011 amounted to MAD 87.3, a decline of 6.2%. The impact of severe price reductions in the mobile segment and of lower call-termination charges were partially compensated for by a rise in voice usage and by data-service growth, which account for 9.6% of ARPU.

Fixed line and internet

	Unit	2010	2011
Fixed line			
Fixed lines	**(000)**	**1,231**	**1,241**
Broadband access	**(000)**	**497**	**591**

Fixed-line and internet activities in Morocco generated gross revenue of MAD 7,432 million in 2011, an annual decline of 12.9% mainly due to lower fixed-line call traffic, which is under heavy pressure from mobile traffic, and because of lower rates for Maroc Telecom's lines leased by fixed-line to mobile operations. Revenues from fixed-line data were nearly unchanged, at MAD 1,695 million, with price cuts compensated for by growth in customer bases.

2.2.2.3 International activities

IFRS in MAD millions	2010	2011
Revenue	5,572	6,066
Mauritania	**1,184**	**1,202**
Mobile services	*1,013*	*1,033*
Burkina Faso	**1,764**	**1,733**
Mobile services	*1,292*	*1,401*
Gabon	**1,044**	**1,047**
Mobile services	*562*	*510*
Mali	**1,575**	**2,123**
Mobile services	*1,244*	*1,767*
Elimination	**-24**	**-39**
Earnings from operations before depreciation and amortization	**2,388**	**2,439**
Margin (%)	*42.9%*	*40,2%*
Earnings from operations	**1,118**	**1,113**
Margin (%)	*20.1%*	*18,3%*

In 2011, Maroc Telecom Group's international activities generated revenues of MAD 6,066 million, an increase of 8.9% (+10.1% like for like). This performance, in an intensely competitive operating environment, was the result of very strong growth in mobile customer bases (+41%) and of higher consumption by customers.

Earnings from operations (EBITA) declined by 0.5% on an annual basis (+0.6% like for like), to MAD 1,113 million.

Mauritania

	Unit	2010	2011
Mobile			
Customer base	(000)	1,576	1,747
ARPU	(MAD per month)	53.6	47.1
Fixed lines	**(000)**	**41**	**41**
Broadband access	**(000)**	**7**	**7**

In 2011, Maroc Telecom's Mauritanian businesses generated revenues of MAD 1,202 million, an increase of 1.6% (8.0% like for like). This rise is attributable to steady growth in the mobile customer base (+10.9%) and to an increased share in international tariffs.

Burkina Faso

	Unit	2010	2011
Mobile			
Customer base	(000)	2,397	2,971
ARPU	(MAD per month)	53.3	40.7
Fixed lines	**(000)**	**144**	**142**
Broadband access	**(000)**	**28**	**31**

At December 31, 2011, Maroc Telecom's businesses in Burkina Faso had generated annual revenues of MAD 1,733 million, a decline of 1.8% (-2.6% like for like) attributable to deep price cuts made in the second half of 2010. The second half of 2011 brought renewed activity in Burkina Faso, with revenue growth of 4.8% in the fourth quarter.

Gabon

	Unit	2010	2011
Mobile			
Customer base	(000)	699	532
ARPU	(MAD per month)	72.1	97.8
Fixed lines	**(000)**	**27**	**22**
Broadband access	**(000)**	**22**	**24**

Maroc Telecom's business in Gabon stabilized in 2011, after a sharp decline in prices in 2010. Revenues amounted to MAD 1,047 million, an increase of 0.2% (-0.6% like for like). The operating environment remains intensely competitive.

Mali

	Unit	2010	2011
Mobile			
Customer base	(000)	2,162	4,376
ARPU	(MAD per month)	67.1	45.3
Fixed lines	**(000)**	**79**	**94**
Broadband access	**(000)**	**20**	**37**

At December 31, 2011, Maroc Telecom's annual revenues from business activities in Mali amounted to MAD 2,123 million, a rise of 34.8% (33.7% like for like), because of strong growth in the mobile customer base (+102%) underpinned by an expanded network and by the development of new products.

2.3 QUALITATIVE AND QUANTITATIVE INFORMATION ON MARKET RISK

The Group is exposed to various market risks related to its business.

Foreign-exchange risk

Maroc Telecom Group is exposed to fluctuations in exchange rates, to the extent that the composition of its foreign-currency receipts varies considerably from that of its foreign-currency disbursements.

Maroc Telecom's foreign-currency receipts indicate revenues from international operations, while foreign-currency disbursements indicate payment to international suppliers (in particular capital expenditures and acquisition of handsets) and for interconnection with foreign operators. These disbursements are denominated mainly in euros. At December 31, 2012, the portion of euro-denominated disbursements (excluding subsidiaries) accounted for 51% of the MAD 2,719 million in total foreign-currency disbursements. The value of foreign-currency disbursements was less than that of foreign-currency receipts, which amounted to MAD 3,468 million in 2012.

Maroc Telecom Group is not allowed to net its foreign-currency disbursements and receipts. Moroccan law allows the Group to hold only 70% of its foreign-currency telecom receipts in a foreign-currency account; the remaining 30% must be converted into Moroccan dirhams. Consequently, Maroc Telecom Group's earnings may be affected by fluctuations in exchange rates, in particular the Moroccan dirham against the US dollar and the euro.

In 2012, the euro appreciated by 0.4% against the Moroccan dirham (from MAD 11.1055 for 1 euro at December 31, 2011, to MAD 11.1475 for 1 euro at December 31, 2012). Over the same period, the US dollar depreciated by 2%, from MAD 8.5772 for 1 US dollar in 2011 to MAD 8.4335 for 1 US dollar in 2012.

The following table shows the Group's principal foreign-currency positions at December 31, 2012.

(In local currency millions)	euro /CFA franc	USD	MRO	Other	**Total foreign currencies**	MAD	**Total balance sheet**
Total assets	15,578	49	1,672		**17,299**	30,650	**47,948**
Total liabilities	-15,675	-257	-1,575		**-17,507**	-30,565	**-48,071**
Net position	**-97**	**-208**	**97**	**0**	**-208**	**85**	**-123**

Maroc Telecom's currency assets are composed mainly of receivables from foreign operators. The Group's currency liabilities are made up primarily of payables to foreign suppliers and operators.

The following table shows the Company's (excluding subsidiaries) net foreign-currency positions in euros and US dollars, and the aggregate of other currencies, at December 31, 2012.

(In millions)	EURO	USD	Other currencies (against the euro)*
Assets	121	23	0
Liabilities	-123	-104	-2
Net position	**-2**	**-80**	**-2**
Commitments	142	161	3
Net aggregate position	**139**	**81**	**1**

**1 euro = 11.1475 Moroccan dirhams (average exchange rate of Bank-Al Maghrib at December 31, 2012).*

Notes:

1. The other main currencies are the Japanese Yen (YEN), the Swiss Franc (CHF), and the Swedish Krona (SEK).

2. Net foreign-currency positions in EUR and USD are calculated by applying the proportion of each currency's cash inflows received in 2012 to the amount of receivables and payables in special drawing rights (SDR) relating to foreign telecoms operators at December 31, 2012.

3. The breakdown by currency of the balance of commitments relating to current agreements is based on the effective balances for such contracts.

Interest-risk

Net cash position by maturity:

2012

In MAD millions	<1 year	1-5 years	>5 years	Total
Bank loans	2,592	857	29	3,478
Bank overdrafts	4,667			4,667
Borrowings and financial liabilities	**7,259**	**857**	**29**	**8,145**
Cash and cash equivalents	964			964
Cash held for repayment of bank loans	70			70
Net cash	**-6,225**	**-857**	**-29**	**-7,111**

2011

(In MAD millions)	<1 year	1-5 years	>5 years	Total
Bank loans	2,773	1,735	47	4,555
Bank overdrafts	3,046			3,046
Borrowings and financial liabilities	**5,819**	**1,735**	**47**	**7,601**
Cash and cash equivalents	617			617
Cash held for repayment of bank loans	123			123
Net cash	**-5,080**	**-1,735**	**-47**	**-6,862**

2010

(In MAD millions)	<1 year	1-5 years	>5 years	Total
Bank loans	2,387	2,324	80	4,791
Bank overdrafts	564			564
Borrowings and financial liabilities	**2,950**	**2,324**	**80**	**5,354**
Cash and cash equivalents	788			788
Cash held for repayment of bank loans	225	22		247
Net cash	**-1,937**	**-2,302**	**-80**	**-4,319**

In accordance with Company policy, Maroc Telecom's financial debt is essentially on fixed-rate terms, and therefore the Company does not have significant exposure to interest-rate fluctuations, favorable or unfavorable. In addition, the Company does not use interest-rate hedging instruments.

Equity risk

The Group does not have a significant portfolio of listed equities. As a result, there is no significant risk relating to fluctuations in the prices of securities or shareholdings.

2.4. TRANSITION FROM SEPARATE FINANCIAL STATEMENTS TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are derived from the separate financial statements of Maroc Telecom and its subsidiaries, as prepared under the generally accepted accounting principles of each country. Various adjustments have been made to these separate financial statements, in compliance with IFRS consolidation and presentation requirements.

The main adjustments to the presentation of the statement of comprehensive income are the:

- elimination of revenues related to cancelled subscriptions between the date of cancellation and the end of the subscription period;
- recognition of resellers' commissions as consolidated operating expenses (these costs were initially netted against revenues in the separate financial statements);
- reclassification of noncurrent items to earnings from operations, with the exception of adjustments of fixed-asset values;
- reclassification of the Fidelio (loyalty awards program) provision, which is netted against revenues;
- reclassification under net financial income of noncurrent financial items;
- activation of payroll costs relating to the deployment of fixed assets.

The main adjustments to the statement of financial position relate to current assets:

- SIM cards: reclassification of inventory under fixed assets;
- nonactivated handsets: inventory values of handsets sold but not activated are adjusted to account for the recognition of revenues upon activation;
- regarding trade payables, the main adjustment entails reclassifying certain payables under provisions for contingencies and losses.

None of the above changes in presentation affect Group earnings.

Other consolidation adjustments concern the elimination of statutory provisions, the calculation of deferred taxes, and all consolidation-related operations (e.g., elimination of interest in equity affiliates).

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002, Maroc Telecom Group's consolidated financial statements have been prepared in accordance with international financial reporting standards (IAS/IFRS), as endorsed by the European Union.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS (In MAD millions)	Notes	12/31/2010 adj.[4]	12/31/2011	12/31/2012
Goodwill	3	6,865	6,863	6,877
Other intangible assets	4	4,064	3,683	3,445
Property, plant, and equipment	5	23,378	24,850	25,476
Investments in equity affiliates	6	0	0	0
Noncurrent financial assets	7	444	297	266
Deferred tax assets	8	116	51	59
Noncurrent assets		**34,866**	**35,743**	**36,122**
Inventories	9	779	709	468
Trade accounts receivable and other	10	10,454	11,401	10,291
Short term financial assets	11	142	115	47
Cash and cash equivalents	12	788	617	964
Assets available for sale		58	56	56
Current assets		**12,221**	**12,898**	**11,825**
TOTAL ASSETS		**47,088**	**48,641**	**47,948**

SHAREHOLDERS' EQUITY AND LIABILITIES (In MAD millions)	Notes	12/31/2010 adj.[4]	12/31/2011	12/31/2012
Share capital		5,275	5,275	5,275
Retained earnings		4,188	4,383	4,314
Net earnings		9,533	8,123	6,705
Equity attributable to shareholders of the parent	13	**18,996**	**17,781**	**16,294**
Noncontrolling interests		**4,396**	**4,304**	**4,399**
Shareholders' equity		**23,392**	**22,085**	**20,693**
Noncurrent provisions	14	668	701	692
Borrowings and other long-term financial liabilities	15	2,404	1,782	886
Deferred tax liabilities	8	123	218	244
Other noncurrent liabilities		143	138	132
Noncurrent liabilities		**3,339**	**2,838**	**1,954**
Trade accounts payable	16	17,017	17,600	17,394
Current tax liabilities		233	153	369
Current provisions	14	157	145	279
Borrowings and other short term financial liabilities	15	2,950	5,819	7,259
Current liabilities		**20,357**	**23,718**	**25,302**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**47,088**	**48,641**	**47,948**

[4] During the preparation and review of its 2011 financial statements, Maroc Telecom discovered an accounting error in the financial statements of its Burkina Faso subsidiary, Onatel, concerning recognition of the sale of Telmob cards via the Onatel agency network.
This error had in prior fiscal years resulted in the double recognition of distributor commissions for those sales and therefore an overstatement of revenues and trade receivables for the periods concerned. Fiscal years 2010 and prior have been restated in compliance with IAS 8 (see Note 1 of the 2011 Registration Document)

STATEMENT OF COMPREHENSIVE INCOME

(In MAD millions)	Notes	2010 adj.	2011	2012
Revenues	17	31,617	30,837	29,849
Cost of purchases	18	-5,198	-5,556	-5,147
Payroll costs	19	-2,746	-2,796	-2,848
Taxes and duties	20	-928	-1,303	-1,429
Other operating income (expenses)	21	-3,827	-3,939	-4,436
Net depreciation, amortization, and provisions	22	-4,591	-4,869	-5,032
Earnings from operations		**14,327**	**12,375**	**10,957**
Other income and charges from ordinary activities		-57	-42	-27
Income from equity affiliates	23	0	0	0
Earnings from continuing operations		**14,270**	**12,333**	**10,930**
Income from cash and cash equivalents		37	20	8
Gross borrowing costs		-273	-331	-352
Net borrowing costs		-236	-311	-344
Other financial income and expenses		65	-16	-36
Net financial income (expense)	24	**-171**	**-327**	**-380**
Income tax	25	-4,158	-3,559	-3,272
Net earnings		**9,941**	**8,447**	**7,279**
Exchange gain or loss from foreign activities		-139	-12	-38
Other income and expenses		0	0	0
Total comprehensive income for the period		**9,803**	**8,435**	**7,241**
Net earnings		**9,941**	**8,447**	**7,279**
Attributable to equity holders of the parent		**9,533**	**8,123**	**6,705**
Noncontrolling interests	26	409	323	574
Total comprehensive income for the period		**9,803**	**8,435**	**7,241**
Attributable to equity holders of the parent		**9,456**	**8,117**	**6,693**
Noncontrolling interests	26	347	318	548

EARNINGS PER SHARE (in MAD)		2010 adj.	2011	2012
Net earnings attributable to equity holders of the parent		9,533	8,123	6,705
Number of shares at December 31		879,095,340	879,095,340	879,095,340
Net earnings per share	27	**10.8**	**9.2**	**7.6**
Diluted net earnings per share	27	**10.8**	**9.2**	**7.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

(In MAD millions)	Notes	2010 adj.	2011	2012
Earnings from operations		14,327	12,375	10,957
Depreciation, amortization, and other adjustments		4,194	4,476	5,049
Gross cash from operating activities		**18,522**	**16,851**	**16,007**
Other changes in net working capital		1 ,255	40	**896**
Net cash from operating activities before tax		**19,776**	**16,890**	**16,902**
Income tax paid		-3,697	-4,173	**-3,028**
Net cash from operating activities (a)	12	**16,079**	**12,717**	**13,874**
Purchase of PP&E and intangible assets		-7,093	-5,285	**-5,106**
Purchases of consolidated investments after acquired cash		0	2	0
Investments in equity affiliates		0	0	0
Increase in financial assets		89	-3	**-29**
Disposals of PP&E and intangible assets		156	38	**37**
Decrease in financial assets		-304	151	**99**
Dividends received from nonconsolidated investments		1	3	1
Net cash used in investing activities (b)		**-7,151**	**-5,093**	**-4,998**
Capital increase		0	1	0
Dividends paid by Maroc Telecom	13	-9,065	-9,301	**-8,137**
Dividends paid by subsidiaries to their noncontrolling interests		-269	-333	**-480**
Changes in equity		**-9,333**	**-9,633**	**-8,617**
Borrowings and increase in other noncurrent financial liabilities		237	270	287
Payments on borrowings and decrease in other noncurrent financial liabilities		0	0	-72
Borrowings and increase in other current financial liabilities		149	2,946	**1,991**
Payments on borrowings and decrease in other current financial liabilities		-986	-1,060	**-1,362**
Change in net current accounts		1,173	24	**-383**
Net interest paid (cash only)		-236	-311	**-344**
Other cash expenses (income) used in financing activities		-13	-24	-19
Change in borrowings and other financial liabilities		**323**	**1,845**	**97**
Net cash used in financing activities (d)	12	**-9,010**	**-7,788**	**-8,520**
Translation adjustment and other noncash items (g)		**-5**	**-8**	**-11**
Total cash flows (a)+(b)+(d)+(g)	12	**-86**	**-171**	**346**
Cash and cash equivalents at beginning of period		**874**	**788**	**617**
Cash and cash equivalents at end of period	12	**788**	**617**	**964**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In MAD millions)	Notes	Share capital	Other adjustments	Translation adjustment	Earnings and retained earnings	Total Group share	Non-controlling interests	Total
Position (adj.) at January 1, 2010		**5,276**	**-187**	**-41**	**13,235**	**18,511**	**4,318**	**22,828**
Dividends					-9,065	**-9,065**	-269	**-9,333**
Net earnings					9,533	**9,533**	409	**9,941**
Translation gain or loss from foreign activities				-77	-77	**-77**	-62	**-139**
Total comprehensive income for the period		0	0	-77	9,456	**9,456**	347	**9,803**
Treasury stock			95		95	**95**		**95**
Other adjustments					0	**0**		**0**
Change in scope of consolidation	(*)							**0**
Position (adj.) at December 31, 2010		**5,276**	**-92**	**-118**	**13,721**	**18,996**	**4,396**	**23,392**
Dividends					-9,301	**-9,301**	-416	**-9,717**
Net earnings					8,123	**8,123**	323	**8,447**
Translation gain or loss from foreign activities				-7	-7	**-7**	-5	**-12**
Total comprehensive income for the period		0	0	-7	8,117	**8,117**	318	**8,435**
Treasury stock					-30	**-30**		**-30**
Other adjustments					-1	**-1**	6	**5**
Change in scope of consolidation	(*)							**0**
Position at December 31, 2011		**5,276**	**-92**	**-125**	**12,506**	**17,781**	**4,304**	**22,085**
Dividends					**-8,137**	**-8,137**	**-453**	**-8,590**
Net earnings					**6,705**	**6,705**	**574**	**7,279**
Translation gain or loss from foreign activities				-12	-12	**-12**	-26	**-38**
Total comprehensive income for the period					6,693	**6,693**	**548**	**7,241**
Treasury stock					-43	**-43**		**-43**
Other adjustments						**0**		**0**
Change in scope of consolidation	(*)					**0**		**0**
Position at December 31, 2012		**5,276**	**-92**	**-137**	**11,019**	**16,294**	**4,399**	**20,693**

At December 31, 2012, Maroc Telecom's share capital comprised 879,095,340 ordinary shares. Ownership of the shares was divided as follows:

- Kingdom of Morocco: 30%;
- Vivendi: 53% via the Société de Participation dans les Télécommunications (SPT);
- Other: 17%.

(*) Changes in the scope of consolidation: Casanet has been fully consolidated since January 1, 2011.

Retained earnings comprise mainly undistributed earnings from previous periods, including MAD 3,424 million at December 31, 2012, and net earnings (attributable to equity holders of the parent) from the current period.

NOTE 1. ACCOUNTING PRINCIPLES AND VALUATION METHODS

1. Significant events

- implementation of a voluntary redundancy plan at Maroc Telecom in June 2012;
- implementation of voluntary redundancy plans at the Mauritel and Sotelma subsidiaries;
- introduction of a nonrecurrent tax in Morocco to finance a fund for solidarity and social unity (the expense for this new contribution in 2012 amounted to MAD 204 million);
- change of corporate tax rate in Mali (lowered from 35% to 30% as of January 1, 2012).

2 Accounting principles and valuation methods

Group companies are consolidated on the basis of financial statements for the year ended on December 31, 2012, except for CMC, whose financial statements were for the year ended on June 30, 2012.

The financial statements and notes thereto were approved by the Management Board on February 19, 2013.

2.1 Basis of preparation for the consolidated financial statements for 2010, 2011, and 2012

Pursuant to regulation (EC) no. 1606/2002 of the European Parliament and the Council of July 19, 2002, concerning the adoption of international accounting standards, the consolidated financial statements of Maroc Telecom Group for the year ended December 31, 2012, were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), applicable on December 31, 2012, as endorsed by the European Union (EU). For purposes of comparison, the 2012 financial statements also include financial information on 2010 and 2011.

The new standards, interpretations, and amendments issued by the IASB and mandatory in the European Union since January 1, 2012, have been applied.

2.2 Compliance with accounting standards

The consolidated financial statements of Itissalat Al-Marghrib S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union and mandatory at December 31, 2012. The accounting standards applied to the consolidated financial statements do not differ from those issued by the International Accounting Standards Board (IASB).

The principal IFRS standards and IFRIC interpretations published by IASB and IFRIC as of the date of approval of the present consolidated financial statements but not yet entered into force, and which Maroc Telecom has not yet selected for early adoption, are the following:

- Standards adopted in the European Union:
  - amendments to IAS 1 *Presentation of Financial Statements*: presentation of items of other comprehensive income (OCI) concerns the presentation of items of other comprehensive income and whether they will be eventually “recycled” (i.e., reclassified) into the profit or loss section of the statement of comprehensive income, effective since January 1, 2013, with retroactive effect to January 1, 2012;
  - amendments to IAS 19 *Employee Benefits*, effective since January 1, 2013, with retroactive effect to January 1, 2012;
  - the new standards and amendments relating to consolidation methods: IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, and IAS 28 *Investments in Associates and Joint Ventures*, effective simultaneously and mandatory as from January 1, 2014;
  - IFRS 13 *Fair Value Measurement*, concerning the definition of fair value in terms of valuation and disclosures, applies to periods beginning on or after January 1, 2013.

- Standards yet to be adopted in the European Union:
  - the amendments to various IFRSs included in the IASB's Annual Improvements 2009–2011 Cycle, published in May 2012 and effective for annual periods beginning on or after January 1, 2013 (subject to adoption in the European Union), and retroactive to January 1, 2012.

Maroc Telecom is finalizing its procedure for determining the potential impact of the application of these standards and amendments on the statement of comprehensive income, the statement of financial position, the statement of cash flows, and the notes to the consolidated financial statements.

2.3 Presentation and principles governing the preparation of the consolidated financial statements

Pursuant to IFRS principles, the consolidated financial statements have been prepared on an historical-cost basis, with the exception of certain asset and liability categories described in the following notes. The consolidated financial statements are presented in Moroccan dirhams, and all figures are rounded to the nearest million, unless otherwise indicated. The consolidated financial statements include the separate financial statements of Maroc Telecom and its subsidiaries, after elimination of intragroup transactions.

2.3.1 Statement of comprehensive income

Maroc Telecom has chosen to present its statement of comprehensive income in a format that breaks down income and expenses by type.

2.3.1.1 Earnings from operations and earnings from continuing operations

Earnings from operations, designated "Operating income" in previous documents issued by Maroc Telecom, comprises revenues, cost of purchases, payroll costs, taxes and duties, and other operating income and expenses; it also includes depreciation, amortization, and charges to provisions.

Earnings from continuing operations comprises operating income, other income and expenses from continuing operations (including impairment of goodwill and other intangible assets), and earnings from equity affiliates.

2.3.1.2 Financing costs and other financial income and expenses

Net financing costs comprise:

- gross financing costs, which includes interest expense for borrowings, calculated at the effective interest rate;
- interest income from cash investments.

Other financial income and expenses include mainly foreign-exchange gains and losses (other than those relating to operating activities classified in EBITA), dividends received from equity interests, and earnings from consolidated operations or companies that are not recorded in profit or loss as discontinued operations.

2.3.2 Statement of financial position

Assets and liabilities expected to be realized, sold, or consumed during the entity's operating cycle (generally less than 12 months) are recorded as current assets or liabilities. If their maturity exceeds 12 months, they are recorded as noncurrent assets and liabilities.

2.3.3 Consolidated statement of cash flows

Maroc Telecom prepares its consolidated statement of cash flows using the indirect method.

Working capital requirements correspond to changes in items on the statement of financial position related to trade receivables, inventories, provisions, and accounts payable.

2.3.4 Use of estimates and assumptions

The preparation of consolidated financial assets in accordance with IFRS requires Maroc Telecom to make certain estimates and assumptions that it deems reasonable and realistic. Despite regular reviews of these estimates and assumptions based on past or anticipated achievements, facts and circumstances may lead to changes in these estimates and assumptions that could have an impact on the carrying value of Group assets, liabilities, equity, or earnings.

The main estimates and assumptions concern changes in the following items:

- provisions: risk estimates, performed on an individual basis; the occurrence of events during risk-measurement procedures may lead at any time to a reassessment of the risk in question (see Note 14);
- impairment of trade receivables and inventories: estimates of nonrecovery risk for trade receivables and obsolescence risk for inventories;
- employee benefits: assumptions, updated annually, include the probability of employees remaining with the Group until retirement, expected changes in future compensation, the discount rate, and the inflation rate (see Note 14);
- revenue recognition: estimates of benefits granted as part of customer-loyalty programs, to be deducted from certain revenue items, and of deferred revenue relating to distributors (see Note 17);
- goodwill: valuation methods adopted for the identification of intangible assets acquired through business combinations (see Note 3);
- goodwill, indefinite useful lives of intangible assets, and assets in progress: assumptions are updated annually for impairment tests performed on each of the Group's cash-generating units (CGUs), determined by future cash flows and discount rates;
- deferred taxes: estimates concerning the recognition of deferred tax assets are updated annually; estimates include the Group's future tax results and expected changes in temporary differences between assets and liabilities (see Note 8).

2.3.5 Consolidation methods

The generic name Maroc Telecom refers to the group of companies composed of the parent company Itissalat Al-Maghrib S.A. and its subsidiaries.

A list of the Group's principal subsidiaries is presented in Note 2, "Scope of consolidation at December 31, 2010, 2011, and 2012."

Maroc Telecom's scope of consolidation comprises wholly owned companies exclusively; therefore the only consolidation method employed by the Group is that of full consolidation.

The accounting method described below was applied consistently to all the periods presented in the consolidated financial statements. This accounting method was applied consistently by all Group entities.

Full consolidation

All significant companies in which Maroc Telecom has a controlling interest, namely those in which it has the power to influence financial and operational policies in order to profit from their operations, are fully consolidated.

A controlling position is presumed to exist where Maroc Telecom holds, directly or indirectly, a voting interest exceeding 50%, and where no other shareholder or group of shareholders exercises substantive participation rights that would enable it to veto or block ordinary decisions made by the Group.

The subsidiaries' financial statements are included in the consolidated financial statements from the date control is obtained until the date control ceases.

A controlling position also exists where Maroc Telecom holds 50% or less of the voting rights in an entity but controls more than 50% of the voting rights by virtue of an agreement with other investors, has the power to influence the financial and operating policies of the entity by virtue of a statute or contract, has the power to appoint or remove from office the majority of the members of the Board of Directors or similar governing body, or has the power to assemble the majority of voting rights at meetings of the Board of Directors or similar governing body.

Transaction eliminated in the consolidated financial statements

Revenues, expenses, and balance-sheet positions resulting from intragroup transactions are eliminated during the preparation of the consolidated financial statements.

2.3.6 Goodwill and business combinations

Business combinations concluded since January 1, 2009

The acquisition method is used to account for business combinations. Under this method, upon the initial consolidation of an entity over which the Group has acquired exclusive control:

- the identifiable assets acquired and the liabilities assumed are measured at their fair value on the acquisition date;

- the noncontrolling interests are measured either at fair value or at their proportionate share of the acquiree's identifiable net assets (this option is available on a transaction-by-transaction basis).

On the acquisition date, goodwill is measured as the difference between:

(i) the fair value of the consideration transferred plus the amount of noncontrolling interest in the acquiree, and, in a business combination achieved in stages, the acquisition-date fair value of the equity interest held previously by the acquirer in the acquiree;

(ii) the net amount on the acquisition date for identifiable assets acquired and liabilities assumed.

The fair-value measurement of noncontrolling interests increases goodwill up to the share attributable to the noncontrolling interests, thereby resulting in the recognition of full goodwill. The purchase price and its allocation must be completed within 12 months of the acquisition date. If goodwill is negative, it is recognized as profit directly in profit or loss. After the acquisition date, goodwill is measured at its initial amount, less any recorded impairment losses.

The following principles also apply to business combinations:

- beginning on and after the acquisition date, to the extent possible, goodwill is allocated to each cash-generating unit likely to benefit from the business combination;

- any adjustment to the purchase price is recorded at fair value on the acquisition date, and any subsequent adjustment after the purchase-price allocation period is recognized in profit or loss;

- acquisition-related costs are recognized as expenses when incurred;

- in the event of acquisition of an additional interest in a consolidated subsidiary, Maroc Telecom recognizes the difference between the acquisition cost and the carrying value of noncontrolling interests as a change in equity attributable to shareholders of Maroc Telecom;

- goodwill is not amortized.

Maroc Telecom recognizes under "Other financial income and expenses" the impact on the statement of comprehensive income of the application of IFRS 3 (amended) and IAS 27 (amended).

Business combinations prior to January 1, 2009

Pursuant to IFRS 1, Maroc Telecom elected not to restate business combinations that occurred before January 1, 2004. IFRS 3, as published by the IASB in March 2004, had already retained the acquisition method. Its provisions, however, differed from those of the revised standard on the following main points:

- noncontrolling interests were measured on the basis of their proportionate share in the acquiree's net identifiable assets; the option of fair-value measurement did not exist;

- contingent consideration was recognized in the cost of acquisition only if payment was likely to occur and the amounts could be measured reliably;

- costs attributable directly to the acquisition were recognized under the cost of the business combination.

- In the event of acquisition of an additional interest in a consolidated subsidiary, Maroc Telecom recognizes as goodwill the difference between the acquisition cost and the carrying value of acquired noncontrolling interests.

2.3.7 Foreign-currency translation

Foreign-currency transactions are initially recorded in the functional currency at the exchange rate prevailing on the date of the transaction. At the end of the period, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All translation differences are recognized in profit or loss for the period.

2.3.8 Translation of financial statements of foreign activities

Assets and liabilities relating to foreign activities, including goodwill and fair-value adjustments arising from consolidation, are translated into Moroccan dirhams at the exchange rate prevailing at the end of the period.

Income and expense items are translated into Moroccan dirhams using rates that approximate the exchange rates at the dates of the transactions.

Net translation differences are recognized in other comprehensive income and accumulated in a separate component of equity.

2.3.9 Assets

2.3.9.1 Other intangible assets

Intangible assets acquired separately are recorded at cost, and intangible assets acquired in connection with a business combination are recorded at their fair value at the acquisition date. The historical-cost model is applied to intangible assets after their initial recognition; amortization begins as soon as the assets are available for use. Assets with a finite useful life are amortized. Useful life is reviewed at the end of each reporting period. And is estimated at between two and five years.

Trade names, subscriber bases, and market shares generated internally are not recognized as intangible assets.

Licenses to operate telecom networks are recorded at historical cost and amortized on a straight-line basis from their effective service start date until the expiry of the corresponding license.

Maroc Telecom has elected not to apply the option provided in IFRS 1 to remeasure certain intangible assets at their fair value at January 1, 2004.

Subsequent expenditure for intangible assets is activated only where it increases the probable future economic benefits specific to the corresponding asset. All other expenditure is expensed in the period in which it is incurred.

2.3.9.2 Research and development costs

Research costs are expensed when incurred. Development expenses are capitalized when the project can reasonably be considered feasible.

Pursuant to IAS 38 *Intangible Assets*, development costs are capitalized only after the technical and financial feasibility of the asset for sale or use have been established, where it is likely that the future economic benefits attributable to the asset will flow to the company, and where the cost of the asset can be measured reliably.

2.3.9.3 Property, plant, and equipment

Property, plant, and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes acquisition or production costs as well as costs directly attributable to transporting the asset to its physical location and to preparing it for use in operations. For the purposes of IAS 23, borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are included in the cost of the asset. Other borrowing costs are recognized as an expense for the period in which they are incurred. When property, plant, and equipment include significant components with different useful lives, the components are recorded and depreciated separately.

Property assets comprising the items “land” and “buildings” are derived in part from the contribution in kind granted in 1998 by the Moroccan government (in connection with the breakup of ONPT) to Maroc Telecom when it was established.

When these assets were transferred, the property titles could not be registered with the property registry.

This situation was still unresolved on December 31, 2012. Although uncertainty over the property titles remains, the risk is limited, because the Moroccan government has guaranteed Maroc Telecom use of the transferred property and because to date there have been no significant incidents related to this situation.

The assets transferred by the Moroccan government on February 26, 1998, to establish Maroc Telecom as a public operator were recorded as a net amount in the opening statement of financial position, as approved by:

- the Postal Services and Information Technology Act no. 24-96;
- the joint order no. 341-98 of the Ministry of Telecommunications and the Ministry of Finance, Commerce, and Industry, approving the inventory of assets transferred to Maroc Telecom Group.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Useful lives are reviewed at the end of each reporting period and are as follows:

- Construction and buildings	20 years
- Civil engineering	15 years
- Network equipment:	
- Transmission (mobile)	8 years
- Switching	8 years
- Transmission (fixed line)	10 years
- Fixtures and fittings	10 years
- Computer equipment	5 years
- Office equipment	10 years
- Transportation equipment	5 years

Assets not yet in service are recorded as assets in progress. Assets financed by finance leases are capitalized at the lower of the present value of future minimum lease payments and fair value, and the related debt is recorded under “Borrowings and other financial liabilities.” These assets are depreciated on a straight-line basis over their estimated useful lives.

Depreciation of assets acquired under finance leases is recorded as a general depreciation expense.

Maroc Telecom has elected not to apply the option provided in IFRS 1 to remeasure property, plant, and equipment at fair value at January 1, 2004.

The carrying value of an item of property, plant, and equipment includes the replacement cost of a component of such an item if this cost is incurred, if it is probable that the future economic benefits associated with the asset will flow to Maroc Telecom Group, and if the cost can be measured reliably.

All maintenance costs are expensed when incurred.

2.3.9.4 Impairment of fixed assets

Goodwill and other intangible assets with indefinite useful lives are subject to an impairment test at the close of each annual period, and are also tested whenever there is an indication that they may be impaired. The carrying value of other fixed assets is also subject to an impairment test whenever events or circumstances indicate that the carrying value may not be recoverable. The impairment test compares the carrying amount with its recoverable value, which is the greater of its fair value less selling costs and its value in use.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent from those of other assets or groups of assets. If such is the case, as it is for goodwill, the recoverable amount is determined for the cash-generating unit. Maroc Telecom has deemed its fixed-line and mobile businesses to be cash-generating units.

2.3.9.5 Financial assets

Financial assets with a maturity of more than three months are classified in one of the following four categories:

- assets recognized at fair value through profit or loss;
- held-to-maturity financial assets;
- loans and receivables;
- available-for-sale assets.

Financial assets measured at fair value through profit or loss

This category comprises financial assets held for trading that Maroc Telecom intends to sell in the near future.

Gains and losses arising from changes in the fair value of financial assets in this category are recognized in profit or loss in the period in which they occur.

Financial assets recognized at fair value through profit or loss comprise mainly term deposits.

Held-to-maturity financial assets

Held-to-maturity financial assets are nonderivative financial assets (other than loans and receivables) with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity. These assets are initially recognized at fair value including directly attributable transaction costs. After initial recognition these assets are measured at amortized cost using the effective-interest method.

They are subject to impairment tests when there is evidence of impairment. Impairment is recognized if the asset's carrying amount is greater then the present value of its estimated future cash flows. At December 31, 2012, Maroc Telecom Group had no held-to-maturity financial assets.

Loans and receivables

This category comprises nonderivative assets whose payment is fixed or determinable and which are not listed on any active market. These assets are recognized at amortized cost using the effective-interest method, and they are subject to impairment tests if there is evidence of impairment. Impairment is recognized if the asset's carrying amount is greater then the present value of its estimated future cash flows, discounted at the original effective interest rate.

Loans and receivables do not include loans to Maroc Telecom employees.

Available-for-sale assets

Available-for-sale assets include nonderivative assets that are classified either as available for sale or as unallocated to any other category of financial assets.

Available-for-sale assets are recognized at fair value. Gains and losses resulting from available-for-sale assets are taken to equity until the financial asset is sold, redeemed, or removed from the balance sheet in another way, or until it can be demonstrated that the investment is impaired indefinitely, whether partially or wholly, at which time the accumulated gain or loss previously recorded in equity is expensed.

For financial assets actively traded in organized financial markets, fair value is determined by reference to the reported market price at the end of the reporting period.

If the fair value cannot be determined accurately, available-for-sale assets are recognized at cost. Where there is objective evidence that the investment is impaired indefinitely, irreversible impairment is expensed.

When an available-for-sale asset generates interest, the amount of interest is calculated in accordance with the effective-interest method and is reported as income.

The principal available-for-sale assets comprise equity investments in unlisted companies.

2.3.9.6 Inventories

Inventories comprise:

- goods held for sale to customers upon line activation, comprising fixed and mobile handsets and accessories (inventories are accounted for using the weighted average cost method):
  - handsets delivered to distributors and not activated at year-end are recorded as inventory;
  - handsets not activated within nine months from the delivery date are recorded as revenue;
- equipment and supplies corresponding to general non-network equipment (these inventories are measured at their average purchase price).

Inventories are valued at the lower of cost and net realizable value. An impairment loss is recognized in accordance with the prospects for selling or using the inventory items (GSM or technical assets).

2.3.9.7 Trade accounts receivable and other receivables

This item comprises trade and other receivables, which are initially recognized at fair value and then at amortized cost less impairment.

Trade accounts receivable includes trade receivables and government receivables:

- *trade receivables:* held against individuals, distributors, businesses, and international operators;
- *government receivables:* held against local authorities and the Moroccan government.

Impairment is recognized when the carrying amount of an asset exceeds the present value of its estimated future cash flows.

2.3.9.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, sight deposits, current accounts, and short-term, highly liquid investments with maturities of three months or less.

2.3.11. Assets held for sale and discontinued operations

A noncurrent asset or a group of assets and liabilities qualifies as held for sale when its carrying value may be recovered principally through its sale and not by its continued use. To qualify as held for sale, the asset must be available for immediate sale and the sale must be highly probable. Such assets and liabilities are reclassified as assets held for sale and as liabilities associated with assets held for sale, without possibility of offset. The reclassified assets are recorded at the lower of their fair value (net of disposal fees) and their cost less accumulated depreciation and impairment losses, and are no longer depreciated.

An operation is qualified as discontinued when the criteria for classification as an asset held for sale have been met, or when Maroc Telecom has sold the asset. Discontinued operations are reported on a single line on the statement of comprehensive income for the periods reported, comprising the earnings after tax of the discontinued operations until the divestiture date and the gain or loss after tax on the sale or fair-value measurement, less costs to sell the assets and liabilities of the discontinued operations. In addition, cash flows generated by discontinued operations are reported on a separate line of the statement of cash flows.

2.3.12. Financial liabilities

Financial liabilities comprise borrowings, accounts payable, and bank overdrafts.

Borrowings

All borrowings are initially accounted for at cost, which corresponds to the exact value of the amount received, net of borrowing costs.

The allocation of borrowings to current and noncurrent liabilities is based on contractual maturity.

Derivative financial instruments

Maroc Telecom Group does not use derivatives or currency hedges.

2.3.13. Provisions

Provisions are recognized when, at the end of the reporting period, the Group has a legal, regulatory, or contractual obligation as a result of past events, when it is probable that an outflow of resources (without any expected related inflow) will be required to settle the obligation, and when the obligation can be estimated reliably. Where the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a pretax discount rate that reflects current market assessments of the time value of money. If no reliable estimate can be made of the amount of the obligation, no provision is recognized and a disclosure is recorded in the notes to the consolidated financial statements.

Restructuring provisions are recorded when the Group has approved a formal and detailed restructuring program and has either started to implement the program or has announced the program publicly. Future operating expenses are not provisioned.

A provision for pension obligations has been recorded for senior executives of Maroc Telecom. For Mauritel, Onatel, Gabon Telecom, and Sotelma, a provision for retirement benefits has been estimated using the actuarial method.

2.3.14. Deferred taxes

Deferred taxes are accounted for using the liability method, for temporary differences arising at period end between the tax-base value of assets and liabilities and their carrying value.

Deferred tax liabilities are recognized for all taxable temporary differences:

- except for temporary differences generated by the initial recognition of goodwill;
- for taxable temporary differences arising from investments in subsidiaries, affiliates, and joint ventures, unless the date on which the temporary difference will reverse can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, tax-loss carryforwards, and unused tax credits, to the extent possible and where probable that a taxable profit will be available; or, when a current tax liability exists, to make use of those deductible temporary differences, tax-loss carryforwards, and unused tax credits:

- except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction that is not a business combination and that at the transaction date does not impact accounting earnings, taxable earnings, or taxable losses;
- for deductible temporary differences arising from investments in subsidiaries, affiliates, and joint ventures, deferred tax assets are recorded only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced if it is no longer probable that sufficient future taxable profits will be available to permit utilization of all or part of the deferred tax assets.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, on the basis of tax rates (and tax regulations) in force or substantially in force at the period end.

Taxes on items recognized directly in equity are also recognized in equity, not in the income statement.

2.3.15. Trade accounts payable

Trade accounts payable include trade and other accounts payable. They are measured initially at fair value and subsequently at amortized cost.

2.3.16. Share-based compensation

Pursuant to IFRS 2, share-based compensation is recorded as a payroll cost at the value of the equity instruments granted, which are measured using a binomial model. However, depending on whether the equity instruments granted are settled through the issuance of Maroc Telecom shares or in cash, the valuation and recognition of the expense differs:

- If the instrument is settled through the issuance of Maroc Telecom shares, the value of the instruments granted is measured and fixed at the grant date, then spread over the vesting period, according to the characteristics of equity-settled instruments. The obligation is recorded as a corresponding increase in equity.
- If the share-based payment transaction is settled in cash, the value of the instruments granted is measured and fixed at the initial grant date, then re-estimated at each closing date and adjusted pro rata for subsequent changes in the value of the vested rights. The expense is spread over the vesting period in accordance with the characteristics of the instruments. The corresponding obligation is recorded as a noncurrent provision.

Pursuant to the transitional provisions of IFRS 1 for IFRS 2, Maroc Telecom elected to apply IFRS 2 retrospectively, as from January 1, 2004.

2.3.17. Revenues

Revenues from continuing operations are recognized when it is probable that the risks and future economic benefits incident to ownership of fixed assets will flow to the Group, and that the revenues can be measured reliably.

Revenues comprise sales of telecommunications services in mobile, fixed-line, and internet activities, and the sale of products, essentially mobile and fixed-line handsets and multimedia equipment. Almost all of Maroc Telecom's revenues are from services.

Revenues from telephone subscriptions are recognized on a straight-line basis over the subscription contract period. Revenues from incoming and outgoing call traffic are recognized when the service in provided. For prepaid services, revenues are recognized as calls are made.

Revenues from Fixed-line, Internet, and Mobile activities comprise:

- revenue from domestic and international outbound and inbound calls under postpaid plans (such revenue is recorded when generated);

- income from subscriptions;
- income from prepaid services (such income is recognized as calls are made);
- income from data-transmission services provided to businesses, internet service providers, and other telecommunications operators;
- income from advertising in paper and electronic telephone directories (such income is recognized when the directories are published).

Revenues from the sale of handsets, net of customer discounts and connection charges, are recognized upon line activation. Customer acquisition and loyalty costs for mobile and fixed-line services, principally consisting of customer rebates for handsets sold through distributors, are expensed.

Sales of services provided to subscribers managed by Maroc Telecom on behalf of content providers (mainly premium-rate numbers) are accounted for net of related expenses.

When sales are made via a third-party distributor supplied by the Group and involve a discount from the retail price, revenues are recorded as gross revenues and commissions granted are recognized as operating expenses.

Awards granted by Maroc Telecom and its subsidiary companies to their customers in connection with customer loyalty programs, in the form of free or discounted goods or services are recorded in accordance with IFRIC 13 and IAS 18.

The IFRIC 13 interpretation is based on the principle of measuring customer-loyalty award credits at fair value, which is defined as the excess price over the sales incentive that would be granted to any new customer, and, should any such excess price exist, would result in deferred recognition of the portion of the revenue associated with the subscription in the amount of said excess price.

2.3.18. Cost of purchases

Cost of purchases comprises the purchase of mobile and fixed-line handsets and interconnection costs.

2.3.19. Other operating income and expenses

This item comprises mainly commissions to distributors, network-maintenance expenses, advertising and marketing costs, and expenses related to the voluntary redundancy plan.

2.3.20. Net financing costs

Net financing cost includes interest payable on loans (calculated using the effective-interest method) and interest on investments.

Investment income is recognized in the statement of comprehensive income when earned.

2.3.21. Tax expense

Tax expense includes income tax payable and deferred tax expense (or income). Tax is expensed unless it applies to items recorded directly to equity.

2.4 Contractual commitments and contingent assets and liabilities

Once a year, Maroc Telecom and its subsidiaries prepare detailed reports on all contractual obligations, commercial and financial commitments, and contingent obligations for which they are jointly and severally liable. These detailed records are updated regularly by the relevant departments and reviewed by Group senior management.

The assessment of off-balance-sheet commitments relating to suppliers of fixed assets bears on the following:

- for master service agreements and associated supplemental agreements valued at more than MAD 25 million, the difference between minimum commitments and commitments actually fulfilled;
- for all other contracts, the difference between firm orders and orders actually fulfilled.

Commitments arising from real-estate leases are estimated on the basis of one month's rental expense, because virtually all termination clauses require one month's notice.

2.5 Segment data

A segment is a distinguishable component of the Group that is engaged in providing a product or service in a specific economic environment (geographical segment), or in providing products or related services (business segment) that are subject to risks and rewards different from those of other business segments.

In order to benchmark the performance indicators used for internal reporting, as required by IFRS 8, Maroc Telecom has opted to report key financial and operating indicators by geographical area, through the creation, in parallel with Morocco, of a new International segment that regroups the four existing subsidiaries in Mauritania, Burkina Faso, Gabon, and Mali.

2.6 Net cash position

This item includes cash and cash equivalents less borrowings, and excludes short-term financial assets (term deposits) with maturities exceeding three months.

2.7 Earnings per share

Earnings per share, as presented in the consolidated statement of comprehensive income, are calculated by dividing earnings (Group share) for the period by the average number of shares outstanding over the period.

Diluted earnings per share are calculated by dividing:

- the earnings attributable to the equity holders of the parent
- by the average number of shares outstanding over the period plus the average number of ordinary shares that would have been issued upon conversion of all potentially dilutive instruments convertible into ordinary shares.

At December 31, 2012, there were no potentially dilutive instruments.

NOTE 2. SCOPE OF CONSOLIDATION

Company	Legal form	% Group interest	% Capital held	Consolidation method
Maroc Telecom	**SA**	**100%**	**100%**	**FC**
Avenue Annakhil – Hay Riad – Morocco				
Compagnie Mauritanienne de Communication (CMC)	**SA**			
December 31, 2012		**80%**	**80%**	**FC**
December 31, 2011		80%	80%	FC
December 31, 2010		80%	80%	FC
Avenue Roi Fayçal 7000 – Nouakchott – Mauritania				
Mauritel SA	**SA**			
December 31, 2012		**41%**	**52%**	**FC**
December 31, 2011		41%	52%	FC
December 31, 2010		41%	52%	FC
Avenue Roi Fayçal 7000 – Nouakchott – Mauritania				
Onatel	**SA**			
December 31, 2012		**51%**	**51%**	**FC**
December 31, 2011		51%	51%	FC
December 31, 2010		51%	51%	FC
705, ave. de la nation 01 – BP 10000 – Ouagadougou - Burkina Faso				
Gabon Telecom	**SA**			
December 31, 2012		**51%**	**51%**	**FC**
December 31, 2011		51%	51%	FC
December 31, 2010		51%	51%	FC
B.P. 40 000 – Libreville – Gabon				
Libertis[5]	**SA**			
December 31, 2012		**-**	**-**	**-**
December 31, 2011		-	-	-
December 31, 2010		51%	51%	FC
BP 8900 immeuble 9 étages – Libreville – Gabon				
Sotelma	**SA**			
December 31, 2012		**51%**	**51%**	**FC**
December 31, 2011		51%	51%	FC
December 31, 2010		51%	51%	FC
Route de Koulikoro, quartier Hippodrome, BP 740 – Bamako – Mali				
Casanet	**SA**			
December 31, 2012		**100%**	**100%**	**FC**
December 31, 2011		100%	100%	FC
December 31, 2010		-	-	-
Technopark 8éme étages, Route d'Enouaceur – Casablanca – Morocco				

Maroc Telecom is a Moroccan corporation (*société anonyme*) whose principal activity is the sale and provision of telecommunications goods and services. Its registered office is located at Avenue Annakhil, Hay Riad, Rabat (Morocco).

Casanet has been fully consolidated by Maroc Telecom since January 1, 2011.

Maroc Telecom Group is fully consolidated by Vivendi.

5 On January 1, 2011, Gabon Telecom merged with Libertis.

NOTE 3. GOODWILL

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Mauritel	137	137	137
Onatel	1,838	1,838	1,838
Gabon Telecom	142	142	142
Sotelma[6]	4,748	4,741	4,755
Casanet	0	5	5
Net total	**6,865**	**6,863**	**6,877**

Goodwill is subject to impairment tests at least once a year, whenever events indicate a risk of impairment.

Each identifiable cash-generating unit (CGU) is tested for impairment.

Impairment tests compare the carrying value of each CGU with its discounted expected future cash flows. CGUs correspond to operating activities within each business segment (fixed line and mobile).

Impairment is tested on the basis of a six-year business plan.

Impairment tests on goodwill are based on the following assumptions:

CGU	Valuation method	Discount rate in local currency	Perpetual growth rate
Mauritel	DCF	17.40%	3.00%
Onatel	DCF	14.40%	3.00%
Gabon Telecom	DCF	12.70%	3.00%
Sotelma	DCF	14.60%	3.00%

DCF: discounted cash flow.

6 Sotelma's goodwill was calculated in compliance with IFRS 3 (revised) using the full goodwill method (see Note 1, paragraph 2.3.6).

(In MAD millions)	Beginning of period	Impairment	Translation adjustment	Change in scope of consolidation	End of period
2010	**7,271**	**0**	**-77**	**-329**	**6,865**
Mauritel	137		0		137
Onatel	1,838				1,838
Gabon Telecom	142				142
Sotelma	5,154		-77	-329	4,748
2011	**6,865**	**0**	**-7**	**0**	**6,863**
Mauritel	137				137
Onatel	1,838				1,838
Gabon Telecom	142				142
Sotelma	4,748		-7		4,741
Casanet				5	5
2012	**6,863**		**14**		**6,877**
Mauritel	137				**137**
Onatel	1,838				1,838
Gabon Telecom	142				142
Sotelma	4,741		14		4,755
Casanet	5				5

In 2012, the increase in goodwill for Sotelma, accounted for in local currency, was due to change in the MAD/FCFA exchange rate.

NOTE 4. OTHER INTANGIBLE ASSETS

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Software	2,372	2,288	2,034
Telecom license	1,041	918	824
Other intangible assets	651	476	587
Net total	**4,064**	**3,683**	**3,445**

“Mobile license” includes the 2G licenses of Mauritel, Onatel, and Gabon Telecom, and three 3G licenses acquired by Maroc Telecom, Mauritel, and Onatel.

“Other intangible assets” includes mainly patents, brands, and other items identified during goodwill valuation of subsidiaries, namely the customer bases of Onatel, Gabon Telecom, and Sotelma, and the global license of Sotelma.

2012

(In MAD millions)	2011	Acquisitions and additions	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	2012
GROSS	**10,457**	**616**	**0**	**-26**	**0**	**161**	**11,208**
Software	6,715	318		-16		-14	7,002
Telecom license	1,441	25		-11		8	1,463
Other intangible assets	2,302	273		1		167	2,743
Amortization and impairment	**-6,774**	**-1,064**	**0**	**19**	**0**	**56**	**-7,764**
Software	-4,426	-609		10		57	-4,968
Telecom license	-523	-125		9		-2	-640
Other intangible assets	-1,825	-331				0	-2,156
Net total	**3,683**	**-449**	**0**	**-7**	**0**	**216**	**3,445**

Net intangible assets declined by MAD 238 million in 2012, because of the continued fall in expenditure for intangible assets (MAD 615 million in 2012, including MAD 25 million for the Onatel 3G license) and because of the substantial amortization of past expenditures (MAD 1,064 million in 2012).

2011

(In MAD millions)	2010	Acquisitions and additions	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	2011
GROSS	**9,762**	**540**	**-3**	**0**	**0**	**158**	**10,457**
Software	6,102	470		2		141	6,715
Telecom license	1,442			-1			1,441
Other intangible assets	2,218	70	-3	-1		17	2,302
Amortization and impairment	**-5,698**	**-1,102**	**0**	**0**	**0**	**26**	**-6,774**
Software	-3,730	-729		-1		34	-4,426
Telecom license	-401	-124		1		1	-523
Other intangible assets	-1,567	-250		0		-9	-1,825
Net total	**4,064**	**-562**	**-3**	**0**	**0**	**184**	**3,683**

2010

(In MAD millions)	2009	Acquisitions and additions	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	2010
GROSS	**8,368**	**973**	**-1**	**-19**	**296**	**144**	**9,762**
Software	5,569	396		-7		144	6,102
Telecom license	883	295		-11	276		1,442
Other intangible assets	1,916	282	-1	0	21	1	2,218
Amortization and impairment	**-4,646**	**-1,126**	**0**	**10**	**0**	**64**	**-5,698**
Software	-3,105	-696		6		64	-3,730
Telecom license	-280	-124		3			-401
Other intangible assets	-1,261	-306		0			-1,567
Net total	**3,723**	**-153**	**-1**	**-9**	**296**	**209**	**4,064**

The reclassification column concerns transfers between line items of property, plant, and equipment.

NOTE 5. PROPERTY, PLANT, AND EQUIPMENT

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Land	1,407	1,436	1,442
Buildings	2,455	2,933	3,508
Technical plant, machinery, and equipment	18,249	19,240	19,479
Transportation equipment	125	122	123
Office equipment, furniture, and fittings	869	852	906
Other property, plant, and equipment	272	266	19
Net total	**23,378**	**24,850**	**25,476**

The amounts for technical plant relating to telecommunications networks were transferred in 2010 and 2011 from “Other property, plant, and equipment” to “Technical plant, machinery, and equipment.”

In 2010 and 2011, “Other property, plant, and equipment” comprised mainly advances and deposits for fixed assets.

2012

(In MAD millions)	2011	Acquisitions and additions	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	Assets held for sale	2012
GROSS	**66,126**	**4,776**	**-41**	**-81**	**0**	**-369**	**0**	**70,412**
Land	1,444	6		0				1,450
Buildings	7,247	836	-1	-4		40		8,118
Technical plant, machinery, and equipment	53,173	3,680	-32	-69		-215		56,537
Transportation equipment	430	21	0	-1		-23		427
Office equipment, furniture, and fittings	3,549	233	0	-2		83		3,863
Other property, plant, and equipment	284		-7	-4		-254		19
Depreciation and impairment	**-41,276**	**-3,852**	**0**	**29**	**0**	**162**	**1**	**-44,936**
Land	-8	0				0		-8
Buildings	-4,314	-299		0		2	0.5	-4,610
Technical plant, machinery, and equipment	-33,933	-3,282		26		131		-37,058
Transportation equipment	-307	-18		1		21		-304
Office equipment, furniture, and fittings	-2,697	-253		2		-8		-2,956
Other property, plant, and equipment	-17			0.2		16.8		0
Net total	**24,850**	**924**	**-41**	**-51**	**0**	**-207**	**1**	**25,476**

Total capital expenditure fell in 2012. In addition to the construction of the new Maroc Telecom headquarters, capital expenditure carried out in 2012 was earmarked mainly for technical plant designed to improve the mobile coverage networks through 2G, 3G, and Single RAN BTS, for improved international transmission through the activation of the Loukkos submarine cable, for the construction under way of the land line running among the subsidiaries (Maroc-Mauritania-Mali-Burkina Faso), and for refurbishment of the fixed-line and ADSL network.

As a result of the considerable capital expenditure in prior years, depreciation for property, plant, and equipment increased in 2012 (MAD 3,852 million in 2012, compared with MAD 3,579 million in 2011), but for less than the level of expenditure. Consequently net PP&E increased by MAD 626 million.

2011

(In MAD millions)	2010	Acquisitions and additions	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	Assets held for sale	2011
GROSS	**61,138**	**5,255**	**-35**	**-32**	**2**	**-274**	**71**	**66,126**
Land	1,415	30		-3		-52	54	1,444
Buildings	6,589	660		-8		-11	17	7,247
Technical plant, machinery, and equipment	49,088	4,296		-15		-196		53,173
Transportation equipment	427	10	-9	-1	2	1		430
Office equipment, furniture, and fittings	3,326	241		-4		-14		3,549
Other property, plant, and equipment	295	18	-26			-3		284
Depreciation and impairment	**-37,761**	**-3,579**	**0**	**22**	**-1**	**56**	**-15**	**-41,276**
Land	-7	0		2		-2		-8
Buildings	-4,134	-181		6		10	-15	-4,314
Technical plant, machinery, and equipment	-30,839	-3,125		11		19		-33,933
Transportation equipment	-302	-14		1	-1	8		-307
Office equipment, furniture, and fittings	-2,456	-259		2		16		-2,697
Other property, plant, and equipment	-23					6		-17
Net total	**23,378**	**1,676**	**-35**	**-9**	**2**	**-217**	**56**	**24,850**

2010

(In MAD millions)	2009	Acquisitions and additions	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	Assets held for sale	2010
GROSS	**56,687**	**5,649**	**-155**	**-260**	**-1**	**-854**	**72**	**61,138**
Land	1,403	141	-145	-8		-30	55	1,415
Buildings	5,839	814	-1	-23		-58	17	6,589
Technical plant, machinery, and equipment	41,657	4,356	-6	-220		3,301		49,088
Transportation equipment	409	27	-3	-4		-3		427
Office equipment, furniture, and fittings	3,117	232		-3		-21		3,326
Other property, plant, and equipment	4,262	78		-1	-1	-4,043		295
Depreciation and impairment	**-35,220**	**-3,283**	**0**	**170**	**0**	**586**	**-14**	**-37,761**
Land	-8	0		0		0		-7
Buildings	-3,930	-214		15		10	-14	-4,134
Technical plant, machinery, and equipment	-28,577	-2,785		149		375		-30,839
Transportation equipment	-258	-18		3		-29		-302
Office equipment, furniture, and fittings	-2,271	-251		2		64		-2,456
Other property, plant, and equipment	-175	-14		0		166		-23
Net total	**21,468**	**2,366**	**-155**	**-90**	**-1**	**-269**	**58**	**23,378**

The reclassification column concerns transfers between line items of property, plant, and equipment.

NOTE 6. INVESTMENTS IN EQUITY AFFILIATES

No equity interest was accounting for by the equity method in 2010, 2011, or 2012.

NOTE 7. NONCURRENT FINANCIAL ASSETS

(In MAD millions)	Notes	December 31, 2010	December 31, 2011	December 31, 2012
Unconsolidated investments	7.1	117	98	97
Other financial assets		327	198	169
Net total		**444**	**297**	**266**

At December 31, 2012, "Other financial assets" included mainly cash held by banks against loans to Sotelma for MAD 64.1 million and to Onatel for MAD 6.2 million.

At December 31, 2012, the maturities of other financial assets were as follows:

(In MAD millions)	Notes	December 31, 2010	December 31, 2011	December 31, 2012
Due in less than 12 months		125	28	84
Due in 1 to 5 years		181	24	65
Due in more than 5 years		21	146	20
Net total		**327**	**198**	**169**

7.1 Unconsolidated interests

2012

(In MAD millions)	Percentage held	Gross value	Impairment	Carrying amount
Arabsat	NM	13	0	13
Autoroute du Maroc	NM	20	4	16
Thuraya	NM	10	0	10
Sindbad venture-capital fund	10%	5	5	0
Medi-1-Sat	3%	62	62	0
RASCOM	NM	46	-8	38
Sonatel	NM	6	0	6
CMTL	NM	6	4	2
INMARSAT	NM	12		12
IMT/GIE	20%	1	1	0
MT Fly	100%	0	0	0
Total		**181**	**68**	**97**

In 2012, the share of affiliated listed companies was immaterial (i.e., low exposure of share price to market risk).

2011

(In MAD millions)	Percentage held	Gross value	Impairment	Carrying amount
Matelca	50%	NM	NM	NM
Arabsat	NM	13	0	13
Autoroute du Maroc	NM	20	4	16
Thuraya	NM	10	-	10
Sindbad venture-capital fund	10%	5	5	0
Medi-1-Sat	3%	62	62	0
RASCOM	NM	47	8	38
SONATEL	NM	8	2	6
CMTL	NM	6	4	2
INMARSAT	NM	12	0	12
IMT/GIE	NA	1	0	1
Total		**183**	**85**	**98**

2010

(In MAD millions)	Percentage held	Gross value	Impairment	Carrying amount
Casanet	100%	18	0	18
Matelca	50%	NM	NM	NM
Arabsat	NM	13	0	13
Autoroute du Maroc	NM	20	4	16
Thuraya	NM	10	0	10
Sindbad venture-capital fund	10%	5	5	0
Medi-1-Sat	5%	62	62	0
RASCOM	NM	47	9	38
SONATEL	NM	8	0	8
CMTL	NM	6	4	2
INMARSAT	NM	12	0	12
IMT/GIE	NA	1	0	1
Total		**201**	**84**	**117**

NOTE 8. CHANGE IN DEFERRED TAXES

8.1 Net position

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Assets	116	51	59
Liabilities	123	218	244
Net position	**-7**	**-167**	**-185**

8.2 Components of deferred assets and liabilities

2012

(In MAD millions)	December 31, 2011	Charge to profit or loss	Impact on shareholders' equity	Change in scope of consolidation	Reclassifications	Translation adjustment	December 31, 2012
Assets	51	9				-1	59
Liabilities	218	26				0	244
Net position	**-167**	**-16**	**0**	**0**	**0**	**-1**	**-185**

2011

(In MAD millions)	December 31, 2010	Charge to profit or loss	Impact on shareholders' equity	Change in scope of consolidation	Reclassifications	Translation adjustment	December 31, 2011
Assets	116	-68		2		1	51
Liabilities	123	95				-1	218
Net position	**-7**	**-163**	**0**	**2**	**0**	**1**	**-167**

2010

(In MAD millions)	January 1, 2010	Charge to profit or loss	Impact on shareholders' equity	Change in scope of consolidation	Reclassifications	Translation adjustment	December 31, 2010
Assets	63	4		51		-2	116
Liabilities	127	-3				-1	123
Net position	**-63**	**7**	**0**	**51**	**0**	**1**	**-7**

Deferred tax assets increased by MAD 9 million, mainly because of the inclusion of Onatel's nondeductible tax liabilities.

The deferred tax liability rose by MAD 26 million, mainly because of:

- adjustments to the points of the Maroc Telecom Fidelio loyalty program;
- Maroc Telecom's use of deferred tax assets for accelerated depreciation;
- use of deferred tax liabilities for the amortization of Sotelma's license and customer base.

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Impairment deducible in later period	127	105	81
Restatement (IFRS) of revenues	-74	-62	-80
Tax-loss carryforward Sotelma	86		
Other	- 145	-210	-186
Net position	**-7**	**-167**	**-185**

To ensure better comparability, reclassifications have been made for 2010.

NOTE 9. INVENTORIES

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Inventories	955	877	633
Impairment (-)	-177	-168	-165
Net total	**779**	**709**	**468**

Gross inventories at December 31, 2012, comprised mainly Maroc Telecom's inventories, including:

- MAD 199 million in mobile handsets;

- MAD 49 million in fixed-line handsets;

- MAD 72 million in multimedia handsets;

- MAD 174 million in consumable materials and supplies.

Changes in inventories are recorded in cost of purchases.

Inventory impairment is recorded under "Amortization, depreciation, and charges to provisions."

NOTE 10. TRADE ACCOUNTS RECEIVABLE AND OTHER

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Trade receivables and related accounts	8,341	8,514	7,267
Other receivables and accruals	2,114	2,887	3,024
Net total	**10,454**	**11,401**	**10,291**

10.1. Trade receivables and related accounts

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Trade receivables	11,935	11,793	11,256
Government receivables	2,412	2,958	2,314
Depreciation of trade receivables (-)	-6,006	-6,237	-6,303
Net total	**8,341**	**8,514**	**7,267**

At December 31, 2012, net trade receivables amounted to MAD 7,267 million, of which MAD 3,560 million was outstanding.

Trade receivables declined by 14.6%, largely as a result of collection of substantial government receivables in Morocco.

On November 20, 2012, Gabon Telecom signed an agreement with the Gabonese government concerning the collection of government receivables for 2010 and 2011 in the amount of MAD 320 millions. This agreement stipulates a down payment of a 30%, with the balance spread over 12 quarters at an interest rate of 5%.

10.2 Other receivables and accruals

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Trade receivables, advances, and deposits	199	186	110
Employee receivables	43	46	57
Tax receivables	950	1,760	1,692
Other receivables	810	767	1,052
Accruals	112	128	114
Net total	**2,114**	**2,887**	**3,024**

Trade receivables, advances and deposits, receivables from employees, government receivables, and other receivables are due in less than one year.

"Employee receivables" comprises advances granted to employees, net of write-downs. Because the loans granted to numerous employees have particular terms and conditions, and because they do not represent material amounts, Maroc Telecom deemed that it was not necessary to provide specific details (repayment date, early repayment options, financial terms, interest rates, etc.).

"Tax receivables" mainly comprises VAT and corporate tax items. In 2012, total tax receivables amounted to MAD 1,692 million (MAD 1,760 million in 2011), a decline of 3.86%.

In 2011, tax receivables amounted to MAD 1,760 million (compared with MAD 950 million in 2010). This increase was attributable mainly to higher tax receivables from business in Morocco (+MAD 596 million) because of a liquidation surplus.

Accruals comprise mainly prepaid expenses for vehicle operating leases and insurance policies.

NOTE 11. CURRENT FINANCIAL ASSETS

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Term deposit > 90 days	0	0	0
Escrow account	142	115	47
Marketable securities	0	0	0
Net total	**142**	**115**	**47**

In order to ensure trading liquidity, Maroc Telecom mandated Rothschild & Cie to implement a liquidity agreement on the Paris stock exchange and a market-making agreement on the Casablanca stock exchange.

NOTE 12. CASH AND CASH EQUIVALENTS

(In MAD millions)	12/31/2010	12/31/2011	12/31/2012
Cash	612	537	864
Cash equivalents	176	80	99
Cash and cash equivalents	**788**	**617**	**964**

Cash and cash equivalents increased MAD 346 million in 2012, with net cash from operating activities increasing by MAD 1,157 million. Net cash used in investing activities, which declined by MAD 95 million, was partially compensated for by a MAD 732 million rise in net cash used in financing activities.

Change in cash and cash equivalents

(In MAD millions)	2010	2011	2012
Net cash from operating activities	16,079	12,717	13,874
Net cash used in investing activities	-7,151	-5,093	-4,998
Net cash used in financing activities	-9,010	-7,788	-8,520
Foreign-currency translation adjustments	-5	-8	-11
Change in cash and cash equivalents	**-86**	**-171**	**346**
Cash and cash equivalents at beginning of period	874	788	617
Cash and cash equivalents at end of period	788	617	963
Change in cash and cash equivalents	**-86**	**-171**	**346**

Net cash from operating activities

In 2012, net cash from operating activities amounted to MAD 13,874 million, MAD 1,157 million higher than at December 31, 2011. This increase is due mainly to improved working capital requirements (+MAD 856 million), the result of trade-receivable collections (-MAD 1,257 million) and lower income tax (-MAD 1,145 million) subsequent to Maroc Telecom's decline in earnings in 2011.

In 2011, net cash from operating activities amounted to MAD 12,717 million, MAD 3,362 million lower than at December 31, 2010. This decline was due mainly to lower earnings from operations (-MAD 1,952 million), to deteriorated working capital requirements (-MAD 1,215 million) mainly attributable to the reduction of trade payables by foreign subsidiaries, and to higher taxes and taxes paid (+MAD 476 million).

Net cash used in investing activities

Net cash used in investing activities declined by 2% in 2012, compared with 2011. This change is due mainly to lower capital expenditure in Morocco and internationally.

Net cash used in investing activities amounted to MAD 5,093 million in 2011, compared with a use of MAD 7,151 million in 2010. This change was due mainly to lower expenditures for PP&E and intangible assets in Morocco and internationally.

Net cash used in financing activities

Net cash used in financing activities amounted to MAD 8,520 million in 2012, compared with MAD 7,788 million in 2011. This change is due to higher reimbursements for current and noncurrent borrowings.

Net cash used in financing activities represented MAD 7,788 million in 2011, compared with a use of MAD 9,010 million in 2010, because of increased borrowing, particularly the Maroc Telecom overdraft (+MAD 2,394 million).

NOTE 13. DIVIDENDS

13.1 Dividends

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Dividends paid by subsidiaries to their noncontrolling interests (a)			
-Mauritel	269	151	154
-Onatel		86	79
-Gabon Telecom		79	16
-Sotelma		96	204
-Other			
	269	**412**	**453**
Dividends paid by Maroc Telecom to its shareholders (b)			
-Kingdom of Morocco	2,719	2,790	2,442
-Vivendi	4,804	4,929	4,314
-Other	1,541	1,581	1,381
	9,065	**9,301**	**8,137**
Total dividends paid (a)+(b)	**9,333**	**9,713**	**8,590**

13.2 Dividend proposed for 2012

At the board meeting convened on February 19, 2013, for the purpose of approving the financial statements for 2012 and appropriating net earnings, the Management Board of Itissalat Al-Maghrib decided to propose to shareholders a dividend of MAD 7.4 per share, or an aggregate payment of MAD 6,505 million. This proposal was submitted to the Supervisory Board at its meeting on February 20, 2013.

NOTE 14. PROVISIONS

Provisions for liabilities relate mainly to disputes with employees and third parties.

They are evaluated on a case-by-case basis.

Provisions for contingencies and losses are analyzed as follows:

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Noncurrent provisions	**668**	**701**	**692**
Provisions for life annuities	24	23	22
Provisions for termination benefits	145	166	194
Provisions for disputes with third parties	24	18	8
Other provisions	476	494	468
Current provisions	**157**	**145**	**279**
Provisions for voluntary redundancy plan	0	0	15
Provisions for employee-related expenses	0	0	0
Provisions for disputes with third parties	157	145	236
Other provisions	0	0	28
TOTAL	**825**	**846**	**971**

2012

(In MAD millions)	2011	Charges	Used	Change in scope of consolidation	Translation adjustment	Reversals	Reclassification	2012
Noncurrent provisions	**701**	**32**	**-7**	**-**	**0**	**-28**	**-6**	**692**
Provisions for life annuities	23		-1					22
Provisions for termination benefits	166	28	-6		1	-11	17	194
Provisions for disputes with third parties	18	4			-1		-14	8
Other provisions (*)	494					-17	-9	468
Current provisions	**145**	**140**	**-18**	**-**	**-2**	**-1**	**15**	**279**
Provisions for voluntary redundancy plan	-	15						15
Provisions for employee-related expenses	-							-
Provisions for disputes with third parties	145	82	-18		-1	-1	29	236
Other provisions	-	42			0		-14	28
TOTAL	**846**	**172**	**-25**	**-**	**-2**	**-29**	**8**	**971**

(*) As a reminder, Maroc Telecom is undergoing a tax audit for the fiscal years 2005, 2006, 2007, and 2008. The Company has already provided a preliminary response and has transmitted additional documentation, as requested by the tax authorities. It continues to provide responses in justification of its appeal of the tax adjustment, which was filed within the required time period.

Maroc Telecom believes that these tax adjustments will not have a material impact on the Company's earnings, net equity, or liquidity.

The change in noncurrent provisions in 2012, compared with 2011, is due mainly to an additional provision of MAD 28 million for voluntary redundancies of Maroc Telecom subsidiaries.

The rise in current provisions stems mainly from provisions made for:

- the balance of provisions for voluntary redundancy plans in Morocco and at Mauritel;
- various commercial, social, and fiscal disputes in the subsidiaries.

2011

(In MAD millions)	2010	Charges	Used	Change in scope of consolidation	Translation adjustment	Reversals	Reclassification	2011
Noncurrent provisions	**668**	**29**	**-25**	**0**	**0**	**-3**	**33**	**701**
Provisions for life annuities	24		-1					23
Provisions for termination benefits	145	25			0	-3		166
Provisions for disputes with third parties	24	4	-24				15	18
Other provisions	476	1					17	494
Current provisions	**157**	**4**	**-9**	**0**	**0**	**-7**	**0**	**145**
Provisions for voluntary redundancy plan	0							0
Provisions for employee-related expenses	0							0
Provisions for disputes with third parties	157	4	-9		0	-7		145
Other provisions	0							0
Total	**825**	**33**	**-34**	**0**	**-1**	**-11**	**33**	**846**

The increase in provisions in 2011, compared with 2010, was due mainly to an additional provision of MAD 25 million for pensions of Maroc Telecom subsidiaries.

2010

(In MAD millions)	2009	Charges	Used	Change in scope of consolidation	Translation adjustment	Reversals	Reclassification	2010
Noncurrent provisions	**229**	**190**	**-42**	**0**	**-2**	**0**	**293**	**668**
Provisions for life annuities	25		-1					24
Provisions for termination benefits	140	7	0		-2			145
Provisions for disputes with third parties	16	9	-1		0			24
Other provisions	48	175	-40		0		293	476
Current provisions	**503**	**15**	**-44**	**0**	**-1**	**-24**	**-293**	**157**
Provisions for voluntary redundancy plan	0							0
Provisions for employee-related expenses	30	0	-1				-28	0
Provisions for disputes with third parties	165	15	-27		-1	-24	28	157
Other provisions	309		-16				-293	0
Total	**733**	**206**	**-86**	**0**	**-4**	**-24**	**0**	**825**

NOTE 15. BORROWINGS AND OTHER FINANCIAL LIABILITIES

15.1. Net cash position

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Bank loans due in more than one year	2,404	1,782	886
Bank loans due in less than one year	2,387	2,773	2,592
Bank overdrafts	564	3,046	4,667
BORROWINGS AND FINANCIAL LIABILITIES	**5,354**	**7,601**	**8,145**
Cash and cash equivalents	788	617	964
Cash held in escrow for repayment of bank loans	247	123	70
NET CASH POSITION	**-4,319**	**-6,862**	**-7,111**

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Outstanding debt and accrued interest (a)	5,354	7,601	8,145
Cash assets (b)	1,035	739	1,034
NET CASH POSITION (b)-(a)	**-4,319**	**-6,862**	**-7,111**

15.2. Net cash by maturity

The breakdown by maturity is based on the repayment terms and conditions of the borrowings.

2012

(In MAD millions)	<1 year	1-5 years	>5 years	TOTAL
Borrowings from credit institutions	2,592	857	29	3,478
Bank overdrafts	4,667			4,667
Borrowings and financial liabilities	**7,259**	**857**	**29**	**8,145**
Cash and cash equivalents	964			964
Cash held in escrow for repayment of bank loans	70			70
Net cash position	**-6,225**	**-857**	**-29**	**-7,111**

2011

(In MAD millions)	<1 year	1-5 years	>5 years	TOTAL
Borrowings from credit institutions	2,773	1,735	47	4,555
Bank overdrafts	3,046			3,046
Borrowings and financial liabilities	**5,819**	**1,735**	**47**	**7,601**
Cash and cash equivalents	617			617
Cash held in escrow for repayment of bank loans	123			123
Net cash position	**-5,080**	**-1,735**	**-47**	**-6,862**

2010

(In MAD millions)	<1 year	1-5 years	>5 years	TOTAL
Borrowings from credit institutions	2,387	2,324	80	4,791
Bank overdrafts	564			564
Borrowings and financial liabilities	**2,950**	**2,324**	**80**	**5,354**
Cash and cash equivalents	788			788
Cash held in escrow for repayment of bank loans	225	22		247
Net cash position	**-1,937**	**-2,302**	**-80**	**-4,319**

15.3 Summary of borrowings and other liabilities

Company	Borrowing (in MAD millions)	Interest rate %	Maturity	December 31, 2010	December 31, 2011	December 31, 2012
Maroc Telecom	Borrowing, Attijari wafabank	4.6%	July 2014	2,270	1,663	1,058
Maroc Telecom	Current-account advance, SPT	3.5%	February 2012	1,173	1,224	841
Maroc Telecom	Banks, IAM overdrafts	4.3%	May 2013	464	2,858	4,543
Mauritel	Borrowing, Saudi Development Fund	2.5%	-	0	0	0
Mauritel	Leasing agreement ZTE 42 solar site	11.0%	May 2017	-	26	22
Mauritel	Leasing agreement ZTE 12 solar site	8.0%	April 2018	-	-	8
Mauritel	Leasing agreement ZTE 50 solar site	8.0%	August 2019	-	-	35
Mauritel	Short-term borrowing Ettijari	8.5%	March 2012		102	0
Mauritel	Short-term borrowing GBM	6.5%	January 2013	-	-	9
Onatel	Borrowing SBIF 2005-2011	6.7%	June 2011	70	-	-
Onatel	CONS.BIB-ECOBANK-BICIA	7.7%	July 2012	66	30	-
Onatel	Borrowing BOAD 96.00	6.0%	July 2011	4	-	-
Onatel	Borrowing BEI	2.0%	December 2010	-	-	-
Onatel	Borrowing AFD1110-1111	2.0%	October 2018	16	14	12
Onatel	Borrowing SGBB 2008	6.4%	November 2013	66	46	24
Onatel	Borrowing BOA 2008	6.4%	December 2014	68	51	34
Onatel	Borrowing BOAD 09 00	8.0%	July 2010	17	-	0
Onatel	Borrowing BIB 2008	6.0%	December 2013	26	20	12
Onatel	Borrowing SFI 2008	7.6%	July 2013	65	43	22
Onatel	Borrowing BICIAI 2008	6.3%	September 2015	86	69	52
Onatel	Bank spot Onatel	5.7%	-	118	262	124
Onatel	Borrowing BICIA 2010 Telmob	5.4%	December 2013	85	56	28
Onatel	Borrowing BICIA 2011 Telmob	5.5%	July 2016	-	87	70
Onatel	Borrowing SGBB 2012(2 MLRS)	6.4%	May 2017	-	-	31
Onatel	Borrowing SGBB 2012(3 MLRS)	6.4%	November 2017	-	-	51
Onatel	Investment loan	0.0%	December 2014	-	-	148
Onatel	Bank overdrafts, Onatel	8.5%	-	27	126	68
Gabon Telecom	Borrowing AFD	5.0%	-	2	2	2
Gabon Telecom	Borrowing COMMERZBANK	Euribor+0.75%	December 2013	39	24	0
Gabon Telecom	Bank spot BGFI GT	5.5%	-	34	-	
Gabon Telecom	BGFI Bank	7.5%	November 2015	-	134	104

Gabon Telecom	ALCATEL PHASE II	Euribor+0.75%	March 2011	11	-	
Gabon Telecom	Borrowing HUAWEI	0.0%	December 2013	-	136	70
Gabon Telecom	Banks, credit balance GT	-	-	56	39	56
Sotelma	Borrowing DGDP/CFD OP	2.0%	April 2020	2	2	2
Sotelma	Borrowing DGDP/CFD OY	5.0%	October 2010	-	-	0
Sotelma	Borrowing DGDP/CFD OD	2.0%	October 2014	12	9	6
Sotelma	Borrowing AFD OE/CML 1026 01 S	3.0%	April 2018	24	21	18
Sotelma	Borrowing AFD OR/CML 1147 01 W	2.0%	April 2012	1	0	0
Sotelma	Borrowing AFD OR/CML 1065 02 W	2.0%	October 2016	1	0	0
Sotelma	Borrowing AFD OY/CML 1065 03 X	2.0%	October 2016	18	15	12
Sotelma	Borrowing BOAD PR ML 2001 01 00	6.0%	January 2011	8	-	0
Sotelma	Borrowing NKF NIO-ORET/97114	2.0%	April 2011	11	-	0
Sotelma	Borrowing RASCOM/GPTC	0.0%	-	9	9	9
Sotelma	Borrowing DGDP/NKF	0.0%	September 2015	34	27	20
Sotelma	Borrowing ECOBANK	7.0%	February 2011	7	-	0
Sotelma	Borrowing BIM Fiber Optic Project	9.0%	February 2011	4	-	0
Sotelma	Borrowing BIM CDMA Kayes	9.0%	April 2012	23	8	0
Sotelma	Borrowing HUAWEI PHASE I	4.2%	December 2013	236	235	157
Sotelma	Third party account	-	-	-	56	66
Sotelma	Borrowing dividend	0.0%	November 2012		98	384
Sotelma	Borrowing BDM SA PHASE II	8.5%	January 2013	167	25	26
Sotelma	Borrowing BDM SA PHASE II BIS	7.5%	January 2013	16	61	0
Sotelma	Bank overdrafts, Sotelma	9.0%	-	17	23	0
Casanet	Leasing debt	-	-	-	-	-
Casanet	Bank borrowings, Casanet	-	-	-	-	19
	Total Borrowings and other financial liabilities			**5,354**	**7,601**	**8,145**

NOTE 16. TRADE ACCOUNTS PAYABLE

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Trade payables and related accounts	8,895	9,561	9,149
Other payables	6,123	6,004	6,152
Accruals	1,998	2,034	2,093
TOTAL	**17,017**	**17,600**	**17,394**

In 2012, total payables decreased by MAD 206 million year on year, mainly because of lower trade payables.

“Other payables” comprises mainly tax payables for corporate tax and VAT of MAD 3,262 million, employee-related liabilities of MAD 810 million, and various other payables of MAD 2,080 million.

Reclassifications were carried out for 2010 and 2011, to facilitate comparability.

NOTE 17. REVENUES

(In MAD millions)	2010	2011	2012
Morocco	26,191	25,030	23,178
International	5,572	6,066	7,079
Mauritania	1,184	1,202	1,375
Burkina Faso	1,764	1,733	2,067
Gabon	1,044	1,047	1,291
Mali	1,575	2,123	2,422
Mobisud	28	-	-
Elimination of intersubsidiary transactions	-23	-39	-76
Elimination of transactions between the parent company and subsidiaries	**-146**	**-259**	**-408**
Total consolidated revenues	**31,617**	**30,837**	**29,849**

In 2012, Maroc Telecom Group generated consolidated revenues of MAD 29,849 million, 3.2% less than in 2011 (-3% like for like). Group activities in Morocco declined by 7.4%. However, international business rose by 16.7%.

NOTE 18. COST OF PURCHASES

(In MAD millions)	2010	2011	2012
Cost of handsets	1,761	1,474	1,178
Domestic and international interconnection charges	2,543	2,971	2,893
Other purchases	894	1,111	1,076
Total	**5,198**	**5,556**	**5,147**

Cost of purchases comprises the cost of handsets, interconnection tariffs charged by domestic and international operators, and other purchases.

“Other purchases” includes purchases of energy (fuel and electricity), the cost of purchasing phone cards, and other consumables.

The cost of purchases declined 7.4%, from MAD 5,556 million in 2011 to MAD 5,147 million in 2012, mainly in Morocco, because of the voluntary reduction in handsets sold (-MAD 296 million) and domestic interconnection tariffs (-MAD 177 million, subsequent to a cut in termination rates), and because of lower outgoing international call traffic.

NOTE 19. PAYROLL COSTS

(In MAD millions)	2010	2011	2012
Wages	2,317	2,394	2,370
Payroll taxes	404	375	447
Wages and taxes	**2,721**	**2,769**	**2,817**
Share-based compensation	24	27	31
Payroll costs	**2,746**	**2,796**	**2,848**
Average headcount (in number of employees)	**13,853**	**13,744**	**12,979**

This item includes the payroll costs for the period (wages, payroll taxes, and training costs and transportation) but excludes redundancy costs, which were recognized as other operating expenses.

In 2012, payroll costs rose 1.9% from a year earlier, from MAD 2,796 million in 2011 to MAD 2,848 million in 2012. In Morocco, payroll costs (net of taxes) were nearly unchanged (MAD 2,172 million in 2011, compared with MAD 2,181 million in 2012, an increase of 0.4%) because of a voluntary redundancy plan that lowered the Maroc Telecom headcount by 1,404 employees.

In 2011, payroll costs rose 1.8% year on year, from MAD 2,746 million in 2010 to MAD 2,796 million in 2011. In Morocco, payroll costs (net of taxes) rose 0.1%, from MAD 2,169 million in 2010 to MAD 2,172 million in 2011, with headcount virtually unchanged.

NOTE 20. TAXES, DUTIES, AND FEES

(In MAD millions)	2010	2011	2012
Taxes and duties	337	359	358
Fees	591	944	1,071
Total	**928**	**1,303**	**1,429**

Taxes and duties include local taxes (business registration fees, various municipal taxes), fees for public rights-of-way, and other taxes (stamp duty, motor-vehicle tax).

Fees correspond to amounts paid to the telecommunications regulatory authority with respect to universal service and training.

En 2012, taxes, duties, and fees rose 9.7% from a year earlier, mainly because of the MAD 127 million hike in regulatory fees.

This increase in fees is attributable to Maroc Telecom for MAD 64 million, mainly because of the base effect resulting from the exoneration in 2011 by the ANRT of payment of part of its universal-service fee in exchange for Maroc Telecom's investment in the PACTE program, and to subsidiaries for MAD 64 million, mainly because of higher revenues.

In 2011, the level of fees was 59.7% higher than in 2010 (+MAD 353 million), mainly because of changes in fees. This increase was attributable to Maroc Telecom for MAD 262 million, mainly because of the significant decline in the exoneration granted by the ANRT for the universal-service fee in exchange for Maroc Telecom's investment in the PACTE program, and despite Maroc Telecom's lower revenues in Morocco that constitute the ANRT tax base. The increase was also attributable to subsidiaries for MAD 189 million, mainly because of MAD 121 million from Mauritania after the launch in 2011 of a tax on international incoming calls.

NOTE 21. OTHER OPERATING INCOME AND EXPENSES

(In MAD millions)	2010	2011	2012
Communication	621	637	615
Commissions	1,337	1,260	1,156
Other including:	1,869	2,042	2,665
Rental expenses	663	594	597
Maintenance, repair, and property-service charges	802	742	685
Fees	385	443	461
Postage and banking services:	108	135	125
Voluntary redundancy plan	0	3	862
Other	-90	124	-65
Total	**3,827**	**3,939**	**4,436**

Other operating income and expenses rose 12.6% in 2012.

The most significant changes concern the following items:

- higher restructuring charges: mainly attributable to the implementation of a voluntary redundancy plan in Morocco, provisioned for MAD 800 million, of which MAD 785 million had been recognized at December 31, 2012;
- commissions fell by 8.2%, mainly attributable to Maroc Telecom subsequent to the decline in its prepaid revenues and in the volume of handsets sold.

In 2011, the most significant changes concerned the following items:

- higher communication expenses, mainly in the subsidiaries, with regard to changes in activity, communication for the Nomadis product (free roaming between Maroc Telecom subsidiaries), sponsorship, and gifts for customers;
- lower lease expenses because of Gabon Telecom's termination of its Intelsat line lease agreement, and because of 24% decrease in Mauritel's internet-links lease expense;
- higher expenses for maintenance and repair relating to the large number of GSM sites deployed at various subsidies (+659 BTS).

- Commissions declined by 6% because of:
  - ✓ reduced commissions paid by Mauritel (impact of electronitop-up) and Gabon Telecom (16% lower prepaid revenues);
  - ✓ increased commissions paid by Onatel and Sotelma (correlated with the sharp rise in prepaid mobile revenues).

Reclassifications were carried out for 2011, to facilitate comparability.

NOTE 22. DEPRECIATION, IMPAIRMENT AND PROVISIONS

The following table sets out changes in this item for the fiscal years ended December 31, 2010, 2011, and 2012.

(In MAD millions)	2010	2011	2012
Depreciation and impairment of fixed assets	4,351	4,637	4,876
Net provisions and impairment	239	232	156
Total	**4,591**	**4,869**	**5,032**

Depreciation, impairment and provisions amounted to MAD 5,032 million at December 31, 2012, compared with MAD 4,869 million at December 31, 2011. This 3.3% rise is attributable mainly to an increase in depreciation and impairment of fixed assets (+MAD 239 million) relating to substantial international capital expenditure.

Depreciation and impairment of fixed assets

The following table sets out the depreciation and impairment of Maroc Telecom Group's fixed assets for the fiscal years ended December 31, 2010, 2011, and 2012.

(In MAD millions)	2010	2011	2012
Other intangible assets	1,069	1,059	1,023
Building and civil engineering	214	182	299
Technical plant and pylons	2,788	3,080	3,282
Other property, plant, and equipment	280	316	271
Total	**4,351**	**4,637**	**4,876**

Net charges to provisions and impairment

The following table sets out the net charges to provisions and impairment of Maroc Telecom Group for the fiscal years ended December 31, 2010, 2011, and 2012.

(In MAD millions)	2010	2011	2012
Impairment of trade receivables	191	201	72
Impairment of inventories	15	18	-1
Impairment of other receivables	1	-3	-30
Provisions	32	16	116
Net charges and reversals	**239**	**232**	**156**

Net charges and reversals declined MAD 76 million, from MAD 232 million in 2011 to MAD 156 million in 2012. This change reflected the combined effect of the following items:

- "Impairment of trade receivables": decline of MAD 129 million from a year earlier, partly because of a reversal of provisions subsequent to collection of government receivables in Morocco, though balanced partially by a MAD 42 million rise in provisions for Sotelma related to political turmoil;
- "Provisions": increase of MAD 100 million from 2011, attributable to various commercial, social, and fiscal disputes in the subsidiaries.

- "Net charges and reversals" decreased from MAD 239 million in 2010 to MAD 232 million at December 31, 2011. This change was attributable to the following items:
- "Impairment of trade receivables": rise of MAD 10 million from 2010;
- "Provisions": decline of MAD 16 million from 2010.

NOTE 23. INCOME FROM EQUITY AFFILIATES

No equity interest was accounted for by the equity method in 2010, 2011, or 2012.

NOTE 24. NET FINANCIAL INCOME OR EXPENSE

24.1 Borrowing costs

(In MAD millions)	2010	2011	2012
Income from cash and cash equivalents	37	20	8
Interest expense on loans	-273	-331	-352
Net borrowing costs	**-236**	**-311**	**-344**

Net borrowing costs include income from cash and cash equivalents (current investment income) minus mainly interest and prepaid-loan expenses. Net borrowing costs are affected by foreign-exchange gains and losses, because the Group receives revenues, pays expenses, and takes out loans in foreign currencies.

Maroc Telecom Group's cash assets are deposited with banks or with the national treasury, in either interest-bearing sight deposits or term deposits not exceeding three months. Maroc Telecom does not make risky investments (e.g., mutual funds, stocks, bonds, or derivatives).

In 2012, higher net borrowing costs (+MAD 33 million) were attributable to the 6.4% rise in interest expense, mainly from Maroc Telecom (bank financing), and to the 58% decline in income from cash and cash equivalents.

The rise in net borrowing costs in 2011 (+MAD 75 million) corresponded to a 21% increase in interest expense, mainly from Maroc Telecom (SPT current-account advances) and from a 46% decline in income from cash and cash equivalents.

24.2 Other financial income and expense

(In MAD millions)	2010	2011	2012
Foreign-exchange gains and losses	18	-20	-12
Other financial income (+)	48	11	2
Other financial expenses (-)	0	-7	-26
Other financial income and expenses	**65**	**-16**	**-36**

"Other financial income and expense" takes into account revenues from unconsolidated investments and the proceeds from their disposal.

NOTE 25. TAX EXPENSE

Like all Moroccan corporations (*sociétés anonymes*), Maroc Telecom is subject to income tax.

"Income tax expense" includes current and deferred taxes.

Deferred tax reflects temporary differences between the carrying value of assets and liabilities and their tax-base value.

The following table shows Maroc Telecom Group's payable and deferred taxes for the years ended December 31, 2010, 2011, and 2012:

(In MAD millions)	2010	2011	2012
Income tax expense	3,989	3,379	3,273
Deferred tax	-6	163	16
Provisions for tax	175	17	-17
Current tax	**4,158**	**3,559**	**3,272**
Consolidated effective tax rate[7]	**29%**	**30%**	**31%**

(In MAD millions)	2010	2011	2012
Net earnings	9,949	8,447	7,279
Income tax expense	3,983	3,542	3,289
Provision for tax	175	17	-17
Pretax earnings	**14,107**	**12,006**	**10,551**
Moroccan statutory tax rate	30%	30%	30%
Theoretical income tax expense	4,232	3,602	3,165
Impact of changes in tax rate	0	0	-27
Other differences[8]	-249	-60	134
Effective income tax expense	3,983	3,542	3,272

At December 31, 2012, Maroc Telecom had contributed MAD 204 million to fund for solidarity and social unity.

Deferred-tax rates:

Maroc Telecom: 30%

Mauritel: 25%

Onatel: 27.5%

Gabon Telecom: 35%

Sotelma: 30%

[7] Tax expense / pretax earnings.
[8] "Other differences" includes mainly the 17.5% tax exemption on revenues from international activities.

NOTE 26. NONCONTROLLING INTERESTS

(In MAD millions)	2010	2011	2012
Mauritel	152	136	173
Onatel	86	39	111
Gabon Telecom	93	18	63
Sotelma	77	132	226
Casanet		-2	0
Total noncontrolling interests	**409**	**323**	**574**

Noncontrolling interests reflect the claims of shareholders other than Maroc Telecom to the earnings of Mauritel, Onatel, Gabon Telecom, Sotelma, and Casanet.

In 2012, the noncontrolling interests rose 78% because of higher earnings in African subsidiaries.

In 2011, noncontrolling interests declined by 21% because of lower earnings by Gabon Telecom and Onatel.

NOTE 27. EARNINGS PER SHARE

27.1 Earnings per share

(In MAD millions)	December 31, 2010		December 31, 2011		December 31, 2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Earnings attributable to equity holders of the parent	9,533	9,533	8,123	8,123	6,705	6,705
Adjusted earnings attributable to equity holders of the parent	9,533	9,533	8,123	8,123	6,705	6,705
Number of shares (in millions)	879	879	879	879	879	879
Earnings per share (in MAD)	**10.8**	**10.8**	**9.2**	**9.2**	**7.6**	**7.6**

27.2 Change in the number of shares

Number of shares	2010	2011	2012
Weighted average number of shares outstanding for the period	879,095,340	879,095,340	879,095,340
Adjusted weighted average number of shares outstanding for the period	879,095,340	879,095,340	879,095,340
Potential dilutive effect of financial instruments outstanding			
Number of shares including potential dilutive effect	**879,095,340**	**879,095,340**	**879,095,340**

NOTE 28. SEGMENT DATA

28.1. Statement of financial position: items by geographical area

2012

(In MAD millions)	12/31/2012			
	Morocco	International	Eliminations	Total Maroc Telecom Group
Noncurrent assets	27,475	15,229	-6,581	36,122
Current assets	8,090	4,047	-312	11,825
Total assets	**35,565**	**19,276**	**-6,893**	**47,948**
Shareholders' equity	15,358	11,899	-6,564	20,693
Noncurrent liabilities	1,156	814	-16	1,954
Current liabilities	19,052	6,562	-313	25,302
Total shareholders' equity and liabilities	**35,565**	**19,276**	**-6,893**	**47,948**
Acquisitions of PP&E and intangible assets	**3,792**	**1,592**		**5,385**

2011

(In MAD millions)	12/31/2011			
	Morocco	International	Eliminations	Total Maroc Telecom Group
Noncurrent assets	27,089	15,233	-6,579	35,743
Current assets	8,925	4,376	-403	12,898
Total assets	**36,014**	**19,610**	**-6,982**	**48,641**
Shareholders' equity	16,951	11,700	-6,566	22,085
Noncurrent liabilities	1,697	1,155	-14	2,838
Current liabilities	17,366	6,754	-403	23,718
Total shareholders' equity and liabilities	**36,014**	**19,610**	**-6,982**	**48,641**
Acquisitions of PP&E and intangible assets	**3,882**	**1,911**		**5,793**

2010

(In MAD millions)	12/31/2010			
	Morocco	International	Eliminations	Total Maroc Telecom Group
Noncurrent assets	26,525	14,889	-6,548	34,866
Current assets	8,468	4,112	-359	12,221
Total assets	**34,993**	**19,001**	**-6,907**	**47,088**
Shareholders' equity	18,059	11,880	-6,548	23,392
Noncurrent liabilities	2,239	1,099		3,339
Current liabilities	14,695	6,021	-359	20,357
Total shareholders' equity and liabilities	**34,993**	**19,001**	**-6,907**	**47,088**
Acquisitions of PP&E and intangible assets	**4,255**	**2,281**		**6,537**

28.2. Segment earnings by geographical area

2012

(In MAD millions)	Morocco	International	Eliminations	Total Maroc Telecom Group
Revenues	23,178	7,079	-408	**29,849**
Earnings from operations	9,219	1,738		**10,957**
Net depreciation and impairment	3,397	1,479		**4,876**
Voluntary redundancy plan	785	76		**862**

2011

(In MAD millions)	Morocco	International	Eliminations	Total Maroc Telecom Group
Revenues	25,030	6,066	-259	**30,837**
Earnings from operations	11,262	1,113		**12,375**
Net depreciation and impairment	3,335	1,302		**4,637**
Voluntary redundancy plan		0		**0**

2010

(In MAD millions)	Morocco	International	Eliminations	Total Maroc Telecom Group
Revenues	26,191	5,572	-146	**31,617**
Earnings from operations	13,209	1,119		**14,327**
Net depreciation and impairment	3,143	1,209		**4,351**
Voluntary redundancy plan	0	0	,	**0**

NOTE 29. RESTRUCTURING PROVISIONS

(In MAD millions)	Morocco	International	Total Maroc Telecom Group
		-	-
Balance at January 1, 2010		-	**-**
Change in scope of consolidation and purchase-price allocation adjustment		-	**-**
Addition		-	**-**
Utilization		-	**-**
Reversals		-	**-**
Balance at December 31, 2010		-	**-**
Change in scope of consolidation and purchase-price allocation adjustment		-	**-**
Addition		-	**-**
Utilization		-	**-**
Reversals		-	**-**
Balance at December 31, 2011		-	**-**
Change in scope of consolidation and purchase-price allocation adjustment		-	**-**
Addition	800	1	**801**
Utilization	-785	-	**-785**
Reversals		-	**-**
Balance at December 31, 2012	**15**	**1**	**15**

Maroc Telecom implemented a voluntary redundancy plan in June 2012, with an initial provision of MAD 800 million. At December 31, 2012, the total cost amounted to MAD 785 million for 1,404 employees.

A voluntary redundancy plan has also been implemented for Group subsidiaries, particularly Mauritel and Sotelma. The Mauritel plan affected 51 employees for a total cost of MAD 18 million. The Sotelma plan affected 66 employees, for a total cost of MAD 58 million.

NOTE 30. RELATED-PARTY TRANSACTIONS

30.1. Compensation of corporate officers, senior managers, and directors in 2010, 2011, and 2012

(In MAD millions)	2010	2011	2012
Short-term benefits (1)	33	37	32
Termination benefits (2)	41	47	38
Total	**74**	**84**	**70**

For the year ended December 31, 2012, the members of the Management Board received total remuneration of MAD 32 million.
For the year ended December 31, 2011, the members of the Management Board received total remuneration of MAD 37 million.
For the year ended December 31, 2010, the members of the Management Board received total remuneration of MAD 33 million.

(1) Salaries, compensation, profit sharing, bonuses, social-security contributions, paid vacation, directors' fees, and benefits in kind.

(2) Compensation for redundancy.

30.2. Equity affiliates

No company was accounted for by the equity method in 2010, 2011, or 2012.

30.3. Other related parties

Casanet

In 2003, Maroc Telecom concluded several agreements with Casanet relating to the:

- maintenance of IAM's Menara internet portal;
- provision of development services and hosting of IAM's mobile portal;
- hosting of IAM's El Manzil website;
- maintenance of new WAP applications on the Menara portal and the production of content relating to those applications;
- marketing of internet access over leased lines.

Casanet has been fully consolidated since January 1, 2011.

(In MAD millions)	December 31, 2010	December 31, 2011	December 31, 2012
Revenues	7	NA	NA
Expenses	61	NA	NA
Receivables	25	NA	NA
Payables	25	NA	NA

Vivendi – SFR – Canal+ Group

With a view to further strategic cooperation, Maroc Telecom entered into transactions with SFR (the leading non-public mobile operator in France), Canal+ Group, and Vivendi Group. These transactions are as follows:

2012

(In MAD millions)	Vivendi	SFR	Canal+ Group
Revenues	0	432	0
Expenses	31	82	21
Receivables	0	105	0
Payables	179	9	13

2011

(In MAD millions)	Vivendi	SFR	Canal+ Group
Revenues	0	436	0
Expenses	27	75	20
Receivables	0	74	0
Payables	147	9	17

2010

(In MAD millions)	Vivendi	SFR	Canal + Group
Revenues	0	433	0
Expenses	24	67	17
Receivables	0	91	0
Payables	120	29	6

NOTE 31. CONTRACTUAL COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

31.1 Contractual obligations and commercial commitments on the statement of financial position

(In MAD millions)	Total	Less than 12 months	1-5 years	>5 years
Long-term debt	**886**	**-**	**857**	**29**
Capital lease obligations	-	-	-	-
Operating leases	-	-	-	-
Irrevocable purchase commitments	-	-	-	-
Other long-term commitments	-	-	-	-
TOTAL	**886**	**0**	**857**	**29**

31.2. Other commitments given or received relating to ordinary operations

Commitments given

Commitments given comprise the following:

2012

- a commitment by Mauritel for MAD 2 million, in connection with its acquisition of a 3G license;

- commitments through guarantees and endorsements issued to banks for MAD 300 million;

- a commitment for an operating lease of MAD 16 million;

- a commitment for a long-term satellite lease of MAD 140 million;

- a commitment of MAD 21 million concerning the disposal of Maroc Telecom Belgique;

- various commitments for MAD 26 million.

In the event of disposal to a third party of an interest larger than 40.25% of the share capital of Medi-1-Sat and resulting in a capital loss, Maroc Telecom is committed to paying Fipar Holding an amount equal to 9.75% of the capital loss plus the cost of invested capital (6.03% per year).

2011

- a commitment to capital expenditure of MAD 1,890 million (the commitments made by Maroc Telecom concerning the third investment agreement for 2009–2011 with the Moroccan state were respected and significantly exceeded, with expenditure amounting to MAD 12,475 million and 477 jobs created);

- commitments through guarantees and endorsements issued to banks for MAD 184 million;

- a commitment relating to Casanet equity equivalents for MAD 3 million;

- a commitment for operating leases of MAD 14 million;

- a commitment for a long-term satellite lease of MAD 207 million;

- a commitment of MAD 21 million concerning the disposal of Maroc Telecom Belgique;

- various Mauritel commitments for MAD 21 million.

In the event of disposal to a third party of an interest larger than 40.25% of the share capital of Medi-1-Sat and resulting in a capital loss, Maroc Telecom is committed to paying Fipar Holding an amount equal to 9.75% of the capital loss plus the cost of invested capital (6.03% per year).

2010

- A capital-expenditure commitment for an aggregate amount of MAD 3,313 million comprising:
  - a commitment entered into by Maroc Telecom in connection with the third agreement signed with the Moroccan government in May 2009 for MAD 2,630 million (including a commitment of MAD 2,571 million in connection with suppliers of fixed assets);
  - commitments entered into by Group subsidiaries with suppliers of fixed assets, for MAD 682 million;

- a commitment by Mauritel for MAD 94 million, in connection with its acquisition of a 3G license;

- commitments through guarantees and endorsements issued to banks for MAD 176 million;

- a commitment relating to Casanet equity equivalents for MAD 3 million;

- a commitment for operating leases of MAD 68 million;

- a commitment for a long-term satellite lease of MAD 216 million;

- a commitment of MAD 21 million concerning the disposal of Maroc Telecom Belgique;

- Various Mauritel commitments for MAD 27 million.

In the event of disposal to a third party of an interest larger than 40.25% of the share capital of Medi-1-Sat and resulting in a capital loss, Maroc Telecom is committed to paying Fipar Holding an amount equal to 9.75% of the capital loss plus the cost of invested capital (6.03% per year).

Commitments received

Commitments received comprise the following:

2012

- guarantees and endorsements received for MAD 2,113 million at December 31, 2012, compared with MAD 2,274 million at December 31, 2011.

In the event of disposal to a third party of an interest larger than 40.25% of the share capital of Medi-1-Sat and resulting in a capital gain, Fipar Holding is committed to paying Maroc Telecom an amount equal to 9.75% of the capital gain minus the cost of invested capital (6.03% per year).

2011

- guarantees and endorsements received for MAD 2,274 million at December 31, 2011, compared with MAD 2,072 million at December 31, 2010.

In connection with the PACTE Universal-Service program, Maroc Telecom has committed to extending mobile coverage to 7,338 remote rural areas in Morocco over the 2008–2011 period. This program entails aggregate capital expenditure estimated at MAD 1,159 million (€103 million). In consideration for its commitment, Maroc Telecom received a MAD 109 million exemption from its contribution to the Universal-Service fund in respect of the 2011 fiscal year (MAD 320 million exemption in respect of the 2010 fiscal year).

In the event of disposal to a third party of an interest larger than 40.25% of the share capital of Medi-1-Sat and resulting in a capital gain, Fipar Holding is committed to paying Maroc Telecom an amount equal to 9.75% of the capital gain minus the cost of invested capital (6.03% per year).

2010

- Guarantees and endorsements received for MAD 2,072 million at December 31, 2010, compared with MAD 1,788 million at December 31, 2009.

In connection with the PACTE Universal-Service program, Maroc Telecom has committed to extending mobile coverage to 7,338 remote rural areas in Morocco over the 2008–2011 period. This program entails aggregate capital expenditure estimated at MAD 1,159 million (€103 million). In consideration for its commitment, Maroc Telecom received a MAD 320 million (€30 million) exemption from its contribution to the Universal-Service fund in respect of the 2010 fiscal year.

In the event of disposal to a third party of an interest larger than 40.25% of the share capital of Medi-1-Sat and resulting in a capital gain, Fipar Holding is committed to paying Maroc Telecom an amount equal to 9.75% of the capital gain minus the cost of invested capital (6.03% per year).

31.3 Collateral and pledges

2012

- pledges for MAD 23 million at December 31, 2012, compared with MAD 27 million at December 31, 2011.

2011

- pledges for MAD 27 million at December 31, 2011, compared with MAD 33 million at December 31, 2010.

2010

- pledges for MAD 33 million at December 31, 2010, compared with MAD 39 million at December 31, 2009.

NOTE 32. RISK MANAGEMENT

Credit risk

In order to minimize its credit risk, Maroc Telecom engages in credit operations only with commercial banks and financial institutions that have high credit ratings, and it spreads its transactions among the selected institutions.

Maroc Telecom's receivables do not have high credit risk, because of their significant dilution rate.

Currency risk

Maroc Telecom Group is exposed to fluctuations in exchange rates, to the extent that the composition of its foreign-currency receipts varies considerably from that of its foreign-currency disbursements.

Maroc Telecom's foreign-currency receipts indicate revenues from international operations, while foreign-currency disbursements indicate payment to international suppliers (in particular capital expenditures and acquisition of handsets) and for interconnection with foreign operators. These disbursements are denominated mainly in euros. At December 31, 2012, the portion of euro-denominated disbursements (excluding subsidiaries) represented 51% of the MAD 2,719 million in total foreign-currency disbursements. The value of foreign-currency disbursements was less than that of foreign-currency receipts, which amounted to MAD 3,468 million in 2012.

In addition, Maroc Telecom Group had debt of MAD 8,145 million at December 31, 2012. The bulk of this debt is denominated in Moroccan dirhams, euros, and CFA francs.

(In MAD millions)	2010	2011	2012
Euro	420	393	293
Moroccan dirham	3,941	5,701	6,456
Other (mainly CFA franc)	1,009	1,453	1,381
Current debt	**5,370**	**7,571**	**8,130**
Accrued interest	-16	54	15
Total financial debt	**5,354**	**7,601**	**8,145**

Maroc Telecom Group cannot net its foreign-currency disbursements and receipts. Moroccan law allows the Group to hold only 70% of its foreign-currency telecom receipts in a foreign-currency account; the remaining 30% must be converted into Moroccan dirhams.

Consequently, Maroc Telecom Group's earnings may be affected by fluctuations in exchange rates, in particular the Moroccan dirham against the US dollar and the euro.

In 2012, the euro appreciated by 0.4% against the Moroccan dirham (from MAD 11.1055 for 1 euro at December 31, 2011, to MAD 11.1475 for 1 euro at December 31, 2012). Over the same period, the US dollar depreciated by 2%, from MAD 8.5772 for 1 US dollar in 2011 to MAD 8.4335 for 1 US dollar in 2012.

The subsidiaries whose functional currency is the CFA franc or ouguiya increase the Group's exposure to currency risk, in particular with respect to fluctuations of the euro and ouguiya against the Moroccan dirham.

However, a 1% depreciation in the Moroccan dirham against the euro would have had a small impact on the Group's financial statements for fiscal year 2012:

- revenues = +MAD 64 million;
- earnings from operations = +MAD 15 million;
- net earnings attributable to equity holders of the parent = +MAD 5 million.

(In local currency, millions)	Euro / CFA franc	USD	MRO	Other	**Total foreign currencies**	MAD	**Total Maroc Telecom Group**
Total assets	15,578	49	1,672		**17,299**	30,650	**47,948**
Total shareholders' equity and liabilities	-15,675	-257	-1,575		**-17,507**	-30,565	**-48,071**
Net position	**-97**	**-208**	**97**	**0**	**-208**	**85**	**-123**

The Group does not utilize currency-hedging instruments.

Maroc Telecom's currency assets are composed mainly of receivables from foreign operators. The Group's currency liabilities are made up primarily of payables to suppliers and operators.

At the Maroc Telecom level, a 1% increase in the EUR or USD against the MAD would have had the following impact at December 31, 2012:

- +MAD 15 million in assets;
- -MAD 23 million in liabilities;
- -MAD 7 million in net position;
- +MAD 30 million in commitments;
- +MAD 22 million in total net assets and liabilities.

Conversely, a 1% decrease in the EUR or USD against the MAD would have had the following impact at December 31, 2012:

- -MAD 15 million in assets;
- +MAD 23 million in liabilities;
- +MAD 7 million in net position;
- -MAD 30 million in commitments;
- -MAD 22 million in total net assets and liabilities.

Liquidity risk

Maroc Telecom believes that its cash flow from operations, net cash, and funds available through credit lines will be sufficient to cover the expenses and expenditures necessary for its operations, to service its debt, to pay dividends, and to complete the acquisitions underway at December 31, 2012.

Interest-risk risk

The majority of loans taken out by Maroc Telecom Group are fixed rate. Because the portion of floating-rate loans is relatively low, Maroc Telecom Group is not significantly exposed to fluctuations in interest rates.

NOTE 33. EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 10, 2013, Maroc Telecom signed the fourth investment agreement with the Moroccan government.

Under the terms and conditions of this agreement, Maroc Telecom is committed to investing more than MAD 10.1 billion and creating 500 jobs over the period 2013–2015. As consideration, Maroc Telecom will be exempted during that period from all customs duties on imports.

4. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

To the shareholders of Itissalat Al Maghrib "IAM" SA

Avenue Annakhil, Hay Riad

Rabat, Morocco,

To the Chairman and shareholders,

We have audited the accompanying consolidated financial statements of ITISSALAT AL-MAGHRIB (IAM) S.A., including the statement of financial position as at December 31, 2012, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the fiscal year ended December 31, 2012, and a summary of significant accounting policies and other explanatory notes. These financial statements show an amount of consolidated shareholders' equity of 20,693 million dirhams including consolidated net earnings of 7,279 million dirhams.

Management's responsibility

Management is responsible for the preparation and presentation of these financial statements, in accordance with international financial reporting standards. This responsibility includes planning, implementing, and monitoring internal controls relating to the preparation and presentation of financial statements that are free of material misstatement, whether due to fraud or error, and selecting accounting estimates that are appropriate for the circumstances.

Auditors' responsibility

Our responsibility is to render an opinion on these financial statements on the basis of our audit. We have conducted our audit in accordance with the audit standards applicable in Morocco. These standards require that we comply with ethical guidelines and that we plan and perform the audit in order to obtain reasonable assurance that the summary financial statements are free of material misstatement.

An audit involves procedures that are intended to gather meaningful information about the amounts and data provided in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risk that the financial statements contain material misstatements, whether because of fraud or error. In carrying out such risk assessments, the auditors take into consideration the entity's current internal controls relating to the preparation and presentation of the financial statements, in order to define audit procedures that fit the circumstances, but not for the purpose of stating an opinion on the effectiveness of the internal control.

An audit also involves evaluating the appropriateness of the accounting policies used, the soundness of the accounting estimates made by management, and the overall presentation of the financial statements.

We believe that the information gathered is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements

In our opinion, the consolidated financial statements referred to in the first paragraph above provide in all material aspects a true and fair view of the financial position of the group comprising the persons and entities of ITISSALAT AL-MAGHRIB (IAM) S.A. at December 31, 2011, and the financial performance and cash flows for the fiscal year ended December 31, 2011, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Without qualifying the aforementioned opinion, we draw your attention to Note 25 of the notes to the consolidated financial statements, relating to an IAM tax audit for the fiscal years 2005–2008 and outlining the position of the Company.

February 21, 2013

The Statutory Auditors

KPMG	Abdelaziz ALMECHATT
Fouad LAHGAZI	Abdelaziz ALMECHATT
Partner	Partner