Maroc Telecom

FINANCIAL REPORT 2019

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1. CONSOLIDATES RESULTS OF THE PAST THREE YEARS

1. CONSOLIDATED RESULTS OF 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, 2017, 2018, and 2019, were drawn from Group consolidated financial statements prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and audited by the statutory auditors.

1.1. CONSOLIDATED RESULTS IN MOROCCAN DIRHAMS

Statement of comprehensive income

(In MAD million)	2017	2018	2019
Revenues	**34,963**	**36,032**	**36,517**
Operating expenses	24,653	24,980	28,286
Earnings from operations	**10,310**	**11,052**	**8,231**
Earnings from continuing operations	10,278	11,040	8,220
Net earnings	**6,579**	**6,938**	**3,598**
Attributable to equity holders of the parent	5,706	6,010	2,726
Earnings per share (in MAD)	**6.49**	**6.84**	**3.10**
Diluted earnings per share (in MAD)	6.49	6.84	3.10

Statement of financial position

ASSETS (in MAD million)	2017	2018	2019
Non-current assets	48,879	48,053	51,485
Current assets	13,803	14,078	13,365
Total assets	**62,682**	**62,131**	**64,851**

SHAREHOLDERS' EQUITY AND LIABILITIES (in MAD million)	2017	2018	2019
Share capital	5,275	5,275	5,275
Shareholders'equity, attributable to equity holders of the	15,835	15,668	12,069
Non-controlling interests	3,916	3,822	3,934
Shareholders'equity	19,750	19,490	16,003
Non-current liabilities	5,014	4,185	4,939
Current liabilities	37,918	38,456	43,908
Total Shareholders' equity and liabilities	**62,682**	**62,131**	**64,851**

1.2. CONSOLIDATED RESULTS IN EUROS

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

For 1 euro	2017	2018	2019
The closing rate at the balance sheet	11.2012	10.9503	10.7495
Average rate used for the income statement	10.9257	11.0936	10.7928

The above table shows the average dirham/euro conversion rates used in preparing the financial statements for fiscal years 2017, 2018 and 2019.

The exchange rates are shown for indicative purposes only, to help the reader. The Group does not guarantee that the amounts expressed in dirhams were, could have been or could be converted to euros at those exchange rates or at any other rate.

The following table shows selected financial data for Maroc Telecom Group, presented in euros at the exchange rate used in preparing the Group's consolidated statement of financial position and income statement for fiscal years 2017, 2018 and 2019.

Statement of comprehensive income

(In € millions)	2017	2018	2019
Revenues	**3,200**	**3,248**	**3,383**
Cost of purchases	2,256	2,252	2,621
Earnings from operations	**944**	**996**	**763**
Earnings from continuing operations	941	995	762
Net earnings	**602**	**625**	**333**
Attributable to equity holders of parent	522	542	253
Earnings per share (in Euro)	**0.59**	**0.62**	**0.29**
Diluted earnings per share (in Euro)	0.59	0.62	0.29

Statement of financial position

ASSETS (In € millions)	2017	2018	2019
Non-current assets	4,364	4,388	4,790
Current assets	1,232	1,286	1,243
TOTAL ASSETS	**5,596**	**5,674**	**6,033**

SHAREHOLDERS' EQUITY AND LIABILITIES (In € millions)	2017	2018	2019
Share capital	471	482	491
Shareholders'equity, attributable to equity holders of the	1,414	1,431	1,123
Non-controlling interests	350	349	366
Shareholders'equity	1,763	1,780	1,489
Non-current liabilities	448	382	460
Current liabilities	3,385	3,512	4,085
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5,596**	**5,674**	**6,033**

2. OVERVIEW

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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, 2017, 2018, and 2019.

2.1. SCOPE OF CONSOLIDATION

As at December 31, 2019, Maroc Telecom consolidated the following companies in its financial statements :

Mauritel

Maroc Telecom acquired on April 12, 2001, 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, Maroc Telecom acquired a 51% stake in the Burkinabe operator Onatel. The Group increases its stake in Onatel, its stake is 61% as of April 17, 2018. The subsidiary has been fully consolidated in Maroc Telecom's financial statements since January 1, 2007.

Gabon Telecom

On February 9, 2007, Maroc Telecom acquired 51% of the capital of Gabon Telecom. Gabon Telecom has been fully consolidated by Maroc Telecom since March 1, 2007.

Gabon Telecom bought out Maroc Telecom to acquire 100% of the subsidiary Atlantique Telecom Gabon, which was absorbed by Gabon Telecom on June 29, 2016.

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 provider of Internet access created 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.

Atlantique Telecom Côte d'Ivoire

On January 26, 2015, Maroc Telecom acquired an 85% stake in the capital of the Côte d'ivoire mobile operator. Atlantique Telecom Côte d'Ivoire has been fully consolidated in the financial statements of Maroc Telecom since January 31, 2015.

Etisalat Benin

On January 26, 2015, Maroc Telecom acquired 100% of the capital of the Benin mobile operator. Etisalat Benin has been fully consolidated in the financial statements of Maroc Telecom since January 31, 2015.

Atlantique Telecom Togo

On January 26, 2015, Maroc Telecom acquired a 95% stake in the capital of the Togo mobile operator. Atlantique Telecom Togo has been fully consolidated in the financial statements of Maroc Telecom since January 31, 2015.

Atlantique Telecom Niger

On January 26, 2015, Maroc Telecom acquired 100% of the capital of the Niger mobile operator. Atlantique Telecom Niger has been fully consolidated in the financial statements of Maroc Telecom since January 31, 2015.

Atlantique Telecom Centrafrique

On January 26, 2015, Maroc Telecom acquired 100% of the capital of the Central African Republic mobile operator. Atlantique Telecom RCA has been fully consolidated in the financial statements of Maroc Telecom since January 31, 2015.

Millicom Tchad

On June 26, 2019, Maroc Telecom acquired 100% of the capital of the Chadian operator Millicom Tchad. Millicom Tchad has been fully consolidated by Maroc Telecom since July 1, 2019.

Other non-consolidated investments

Investments whose impact is not material on Morocco Telecom financial statements or in which Maroc Telecom has no direct nor indirect exclusive control, joint control or significant influence are not consolidated and are accounted for in "Non-current financial assets".

This is the case for MT Fly as well as minority interests held in Médi1 TV, RASCOM, Autoroute Maroc, Arabsat and other participations.

2.2. COMPARISON OF RESULTS BY GEOGRAFICAL AREA

GROUP CONSOLIDATED ADJUSTED RESULTS*

IFRS in MAD million	Q4-2018	Q4-2019	Change	Change on a like-for-like basis(1)	2018	2019	Change	Change on a like-for-like basis(1)
Revenues	8,895	**9,209**	**+3.5%**	**+1.0%**	36,032	**36,517**	**+1.3%**	**+0.9%**
EBITDA	4,381	**4,525**	**+3.3%**	**-1.2%**	17,856	**18,922**	**+6.0%**	**+3.4%**
Margin (%)	49.3%	**49.1%**	**-0.1 pt**	**-1.1 pt**	*49.6%*	**51.8%**	**+2.3 pt**	**+1.2 pt**
Adjusted EBITA	2,589	**2,552**	**-1.4%**	**-2.2%**	11,052	**11,540**	**+4.4%**	**+4.3%**
Margin (%)	29.1%	**27.7%**	**-1.4 pt**	**-0.9 pt**	*30.7%*	**31.6%**	**+0.9 pt**	**+1.0 pt**
Group Share of adjusted Net Income	1,393	**1,382**	**-0.8%**	**+0.1%**	6,005	**6,029**	**+0.4%**	**+1.0%**
Margin (%)	15.7%	**15.0%**	**-0.7 pt**	**-0.1 pt**	*16.7%*	**16.5%**	**-0.2 pt**	**+0.0 pt**
CAPEX(2)	1,991	**2,184**	**+9.7%**	**+10.3%**	6,643	**6,788**	**+2.2%**	**+3.5%**
Of which frequencies and licenses	245	**102**			*719*	**1,418**		
CAPEX/Rev (excluding frequencies and licenses)	19.7%	**22.7%**	**+3.0 pt**	**+3.0 pt**	*16.4%*	**14.7%**	**-1.7 pt**	**-1.7 pt**
Adjusted CFFO	2,537	**4,185**	**64.9%**	**+62.9%**	9,982	**13,352**	**+33.8%**	**+29.0%**
Net Debt	13,872	**17,350**	**+25.1%**	**+11.2%**	13,872	**17,350**	**+25.1%**	**+11.2%**
Net debt / EBITDA(3)	0.8x	**0.9x**			0.8x	**0.9x**		

** Details of the financial indicator adjustments are provided in Appendix 1.*

2.2.1 Comparison of financial data for fiscal years 2019 and 2018

2.2.1.1 Group Consolidated results

Revenues

In 2019, Maroc Telecom Group generated total revenues[4] of MAD 36,517 million, up 1.3% (+0.9% on a like-for-like basis[1]). This performance reflects both the continued growth in activities in Morocco and the resilience of international activities despite the increased competition and regulatory pressure.

In the fourth quarter alone, the Group's revenues were up 3.5% (+1.0% on a like-for-like basis[1]), thanks to the sustained growth of Mobile Data in Morocco and in the subsidiaries.

Earning from operations before depreciation and amortization

Thanks to a robust management of costs, Maroc Telecom Group earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 18,922 million, up 3.4% on a like-for-like basis[1].The EBITDA margin reached 51.8%, up 1.2 pt on a like-for-like basis[1].

Earnings from operations

At the end of 2019, Maroc Telecom Group's adjusted earnings from operations (EBITA)[5] amounted to MAD 11,540 million, up 4.3% on a like-for-like basis[1]. This increase was mainly due to an increased EBITDA. The adjusted EBITA margin increased by 0.9 pt (+1.0 pt on a like-for-like basis[1]) to 31.6%.

Group share of net income

The Group share of adjusted Net Income was up 1.0% on a like-for-like basis[1].

Investments

The capital expenditures[2] reached MAD 6,788 million up 2.2% year-on-year and representing 14.7% of revenues (excluding frequencies and licences). This level of capital expenditures remains in line with the stated objective for the year.

Cash-Flow

Adjusted Cash Flow From Operations (CFFO)[6] was up 33.8% (+29.0% on a like-for-like basis[1]), to MAD 13,352 million due to the increased EBITDA and effective management of working capital requirements (WCR).

At December 31, 2019, Maroc Telecom Group's consolidated net debt[7] represented 0.9 time the Group's annual EBITDA excluding the impact of IFRS16.

Appointments to the Supervisory Board

At its meeting on Friday December 6, 2019, Maroc Telecom's Supervisory Board co-opted Mr Obaid Bin Humaid Al Tayer as Vice-Chairman of the Board, replacing Mr Eissa Mohamed Ghanem Al Suwaidi.

Dividend

At the Shareholders' Meeting of April 21, 2020, Maroc Telecom's Supervisory Board will propose to shareholders the distribution of a dividend of MAD 5.54 per share, representing a total of MAD 4.9 billion. This dividend would be paid from June 2, 2020.

Outlook for Maroc Telecom group for 2020

On the basis of recent changes in the market and assuming that no new major exceptional events impact the Group's business, Maroc Telecom is projecting the following for 2020, at constant scope and exchange rates:

- Stable revenues;
- Stable EBITDA;
- CAPEX of approximately 15% of revenues, excluding frequencies and licenses.

2.2.1.2 Activities in Morocco

(IFRS in MAD million)	Q4-2018	Q4-2019	Change	Change on a like-for-like basis[1]	2018	2019	Change	Change on a like-for-like basis[1]
Revenues	5,319	**5,378**	**+1.1%**		21,414	**21,690**	**+1.3%**	
Mobile	3,465	**3,557**	**+2.7%**		13,966	**14,276**	**+2.2%**	
Services	*3,401*	***3,523***	***+3.6%***		*13,731*	***14,046***	***+2.3%***	
Equipment	*64*	***35***	***-45.5%***		*235*	***230***	***-2.0%***	
Fixed-Line	2,300	**2,306**	**+0.2%**		9,239	**9,261**	**+0.2%**	
*O/w Data Fixed line**	755	**886**	**+17.3%**		2,935	**3,186**	**+8.5%**	
Eliminations and other income	-446	**-485**			-1,790	**-1,846**		
EBITDA	2,901	**2,948**	**+1.6%**	**-0.6%**	11,460	**12,294**	**+7.3%**	**+5.3%**
Margin (%)	54.5%	**54.8%**	**+0.3 pt**	**-0.9 pt**	53.5%	**56.7%**	**+3.2 pt**	**+2.1 pt**
Adjusted EBITA	1,876	**1,917**	**+2.2%**	**+2.2%**	7,620	**8,294**	**+8.8%**	**+8.5%**
Margin (%)	35.3%	**35.6%**	**+0.4 pt**	**+0.4 pt**	35.6%	**38.2%**	**+2.7 pt**	**+2.5 pt**
CAPEX[2]	959	**1,289**	**+34.5%**		2,749	**3,022**	**+9.9%**	
Of which frequencies and licenses		*102*				*102*		
CAPEX/Rev (excluding frequencies and licenses)	18.0%	**22.1%**	**+4.1 pt**		**12.8%**	**13.5%**	**+0.6 pt**	
Adjusted CFFO	2001	**3,000**	**+49.9%**	**+46.8%**	7,498	**9,425**	**+25.7%**	**+22.7%**
Net Debt	10,422	**11,101**	**+6.5%**	**-2.1%**	10,422	**11,101**	**+6.5%**	**-2.1%**
Net debt / EBITDA[3]	0.9x	**0.9x**			0.9x	**0.8x**		

At end-December 2019, activities in Morocco had generated revenues of MAD 21,690 million, up 1.3%, thanks to a 2.2%-increase in revenues from Mobile, still sustained by Data.

At the end of 2019, earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 12,294 million, up 7.3% (+5.3% on a like-for-like basis[1]), thanks to the improvement of gross margin and the reduction in operational costs. The EBITDA margin was thus unchanged at the high rate of 56.7%, up 2.1 pt on a like-for-like basis[1].

The adjusted earnings from operations (EBITA)[5] reached MAD 8,294 million, up 8.8% (+8.5% on a like-for-like basis[1]) thanks to the increase in EBITDA. The adjusted EBITA margin was 38.2%, up 2.5 pt on a like-for-like basis[1].

Adjusted Cash Fows From Operations (CFFO)[6] in Morocco were up 22.7% (on a like-for-like basis[1]), to MAD 9,425 million, in connection with the increase in EBITDA and optimal management of working capital requirements.

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* Fixed-Line Data includes Internet, ADSL TV and corporate Data services

Mobile

	Unit	2018	2019	Change
Customer base[8]	**(000)**	**19,062**	**20,054**	**+5.2%**
Prepaid	(000)	17,068	17,752	+4.0%
Postpaid	(000)	1,993	2,302	+15.5%
Of which 3G/4G+ Internet(9)	**(000)**	**10,828**	**11,789**	**+8.9%**
ARPU[10]	**(MAD/month)**	**58.6**	**58.3**	**-0.5%**

By the end of 2019, the Mobile customer base[8] totaled 20.1 million customers, up 5.2% year-on-year, thanks to combined increases of postpaid and prepaid by 15.5% and 4.0% respectively.

Revenues from Mobile amounted to MAD 14,276 million up 2.2%, driven by the growth in Mobile Data, the traffic of which continues to increase significantly (+36% in 2019).

In 2019, blended ARPU[10] amounted to MAD 58.3, down slightly by 0.5% year-on-year.

Fixed-Line and Internet

	Unit	2018	2019	Change
Fixed-lines	**(000)**	**1,818**	**1,882**	**+3.5%**
Broadband access[11]	**(000)**	**1,484**	**1,573**	**+6.1%**

At the end of December 2019, growth in the Fixed line customer base continued (+3.5% year-on-year), bringing the number of lines to 1,882 thousand. The Broadband customer base increased by 6.1% to 1.6 million subscribers.

The Fixed-Line and Internet activities in Morocco generated revenues of MAD 9,261 million, up 0.2%.

2.2.1.3 International activities

Financial indicators

(IFRS in MAD million)	Q4-2018	Q4-2019	Change	Change on a like-for-like basis[1]	2018	2019	Change	Change on a like-for-like basis[1]
Revenues	3,891	**4,102**	**+5.4%**	**-0.2%**	16,041	**16,095**	**+0.3%**	**-0.6%**
Of which Mobile Services	3,547	**3,752**	**+5.8%**	**-0.5%**	14,647	**14,693**	**+0.3%**	**-0.8%**
EBITDA	1,481	**1,576**	**+6.5%**	**-2.3%**	6,397	**6,629**	**+3.6%**	**+0.0%**
Margin (%)	38.0%	**38.4%**	**+0.4 pt**	**-0.8 pt**	39.9%	**41.2%**	**+1.3 pt**	**+0.2 pt**
Adjusted EBITA	713	**635**	**-10.9%**	**-13.5%**	3,432	**3,246**	**-5.4%**	-5.0%
Margin (%)	18.3%	**15.5%**	**-2.8 pt**	**-2.3 pt**	21.4%	**20.2%**	**-1.2 pt**	**-0.9 pt**
CAPEX[2]	1,032	**895**	**-13.3%**	**-12.1%**	3,894	**3,766**	**-3.3%**	**-1.0%**
Of which frequencies and licenses	245				*719*	1,316		
CAPEX/Rev (excluding frequencies and licenses)	*20.3%*	*21.9%*	*+1.6 pt*	*+3.1 pt*	*19.8%*	*15.2%*	*-4.6 pt*	*-3.9 pt*
Adjusted CFFO	536	**1,185**	**ns**	**ns**	2,484	**3,927**	**+58.1%**	**+47.3%**
Net Debt	6,514	**8,748**	**+34.3%**	**+18.1%**	6,514	**8,748**	**+34.3%**	**+18.1%**
Net debt / EBITDA[3]	1.1x	1.3x			1.0x	1.3x		

In a difficult competitive and regulatory environment, the Group's international activities generated revenues of MAD 16,095 million, practically unchanged compared with the same period in 2018 (+0.3% on a reported basis and -0.6% on a like-for-like basis[1]). This change is mainly attributable to the reduction in Mobile termination rates and in international incoming revenues, partially offset by the increase in Mobile Data and Mobile Money services. Excluding the impact of the reduction in call termination rates, revenues were up 1.2% on a like-for-like basis[1].

In 2019, earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 6,629 million, unchanged on a like-for-like basis[1]. The EBITDA margin rose 0.2 points on a like-for-like basis(1) to 41.2%.This performance was due to an improved gross margin related to the reduction in call termination, despite the fiscal and sectoral growing pressure in certain countries. Excluding the impact of fiscal and sectoral taxes, the EBITDA margin would have been improved by 1.7 pt.

Over the same period, adjusted earnings from operations (EBITA)[5] were down 5.4% (-5.0% on a like-for-like basis[1]) to MAD 3,246 million, owing to increased amortization and depreciation expenses.

Adjusted cash flows from operations (CFFO)[6] from International activities were up by 58.1% (+47.3% on a like-for-like basis[1]) to MAD 3,927 million. This performance is explained by optimal management of working capital requirements.

Operating indicators

	Unit	2018	2019	Change
Mobile				
Customer base[8]	(000)	37,926	43,531	
Mauritania		2,397	2,470	+3.1%
Burkina Faso		7,634	8,546	+11.9%
Gabon		1,620	1,621	+0.1%
Mali		7,320	7,447	+1.7%
Côte d'Ivoire		8,646	8,975	+3.8%
Benin		4,279	4,377	+2.3%
Togo		3,405	3,030	-11.0%
Niger		2,485	2,922	+17.6%
Central African Republic		140	168	+19.9%
Chad		-	3,975	-
Fixed-Line				
Customer Base	(000)	318	324	
Mauritania		55	56	+1.9%
Burkina Faso		77	75	-1.9%
Gabon		22	22	+2.1%
Mali		164	171	+4.3%
Fixed-Line Broadband				
Customer base[11]	(000)	114	116	
Mauritania		13	10	-21.1%
Burkina Faso		15	15	-2.6%
Gabon		17	18	+6.5%
Mali		69	73	+5.6%

Notes :

(1) "Like-for-like" refers to the effects of consolidating Tigo Chad as if it had taken place on July 1, 2018, an unchanged MAD/Ouguiya/CFA franc exchange rate and the neutralization of the impact of the application of IFRS 16 on EBITDA, adjusted EBITA, Group share of adjusted Net Income, adjusted CFFO and Net debt.

(2) CAPEX corresponds to purchases of tangible and intangible assets recognized for the period.

(3) The ratio Net Debt/EBITDA excludes the impact of IFRS 16.

(4) Maroc Telecom consolidates the following companies in its financial statements: Mauritel, Onatel, Gabon Telecom, Sotelma, Casanet, AT Côte d'Ivoire, Etisalat Bénin, AT Togo, AT Niger, AT Centrafrique, and Tigo Chad since July 1, 2019.

(5) EBITA corresponds to EBIT before the amortization of intangible assets acquired through business combinations, write-downs of goodwill and other intangible assets acquired through business combinations, and other income and expenses relating to financial investment transactions and transactions with shareholders (except when recognized directly in equity).

(6) CFFO includes net cash flow from operations before tax, as set out in the cash flow statement, as well as the dividends received from companies accounted for by the equity method and non-consolidated equity investments. CFFO also includes net capital expenditure, which corresponds to net uses of cash for acquisitions and disposals of tangible and intangible assets.

(7) Loans and other current and non-current liabilities less cash and cash equivalents, including cash held in escrow for bank loans.

(8) The active customer base consists of prepaid customers who have made or received a voice call (excluding ERPT or Call-Center calls) or received an SMS/MMS or used Data services (excluding ERPT services) during the past three months, and postpaid customers who have not terminated their agreements.

(9) The active customer base for 3G and 4G+ Mobile Internet includes holders of a postpaid subscription agreement (with or without a voice offer) and holders of a prepaid Internet subscription agreement who have made at least one top-up during the past three months or whose top-up is still valid and who have used the service during that period.

(10) ARPU is defined as revenues (generated by inbound and outbound calls and by data services) net of promotional offers, excluding roaming and equipment sales, divided by the average customer base for the period. In this instance, blended ARPU covers both the prepaid and postpaid segments.

(11) The broadband customer base includes ADSL access, FTTH and leased lines as well as the CDMA customer base in Mauritania, Burkina Faso and Mali.

Appendix 1: Relationship between adjusted financial indicators and published financial indicators

Adjusted EBITA, Group share of adjusted Net Income, and adjusted CFFO are not strictly accounting measures, and should be considered as additional information. They are a better indicator of the Group's performance as they exclude non-recurring items.

	2018			2019		
(in MAD million)	Morocco	International	Group	Morocco	International	Group
Adjusted EBITA	**7,620**	**3,431**	**11,052**	**8,294**	**3,246**	**11,540**
Non-recurring items:						
Restructuring costs	-2	2			-9	-9
ANRT decision				-3,300		-3,300
Published EBITA	**7,618**	**3,434**	**11,052**	**4,994**	**3,237**	**8,231**
Adjusted Net Income – Group share			**6,005**			**6,029**
Non-recurring items:						
Restructuring costs			5			-4
ANRT decision						-3,300
Published Net Income – Group share			**6,010**			**2,726**
Adjusted CFFO	**7,498**	**2,484**	**9,982**	**9,425**	**3,927**	**13,352**
Non-recurring items:						
Restructuring costs	-2	-9	-11			
License payments		-524	-524	-102	-1,835	-1,937
Published CFFO	**7,496**	**1,951**	**9,447**	**9,324**	**2,091**	**11,415**

2019 was marked by the cash disbursement of MAD 1,937 million for the payment of the licenses obtained in Burkina Faso, Mali, Côte d'Ivoire and Togo, and by the widening of the bandwidth in Morocco.

2018 included the payment of MAD 524 million related to the licenses obtained in Côte d'Ivoire, Gabon and Togo.

Appendix 2: Impact of the adoption of IFRS 16

IFRS 16 is applied with effect from January 1, 2019, and 2018 data represent the application of IAS 17. Change on a like-for-like basis excludes the impact of IFRS 16.

As at end-December 2019, the impacts of this standard on Maroc Telecom's key indicators were as follows:

	2019		
(in MAD million)	Morocco	International	Group
EBITDA	**+228**	**+234**	**+462**
Adjusted EBITA	**+24**	**+27**	**+51**
Group share of adjusted Net Income			**-16**
Adjusted CFFO	+228	+234	**+462**
Net Debt	+902	+750	**+1,652**

2.2.2 Comparison of financial data for fiscal years 2018 and 2017

2.2.2.1 Group Consolidated results

Revenues

Maroc Telecom Group's consolidated revenues at the end of December 2018 amounted to MAD 36,032 million, up 3.1% (+2.6% at constant exchange rates) compared to the end of December 2017. This performance was mainly due to sustained revenue growth in Morocco (+4.6%) driven by the increase in usage and data customer base, combined with the increase of the new subsidiaries (+3.5% at constant exchange rates).

Earnings from operations before depreciation and amortization

At end-2018, Maroc Telecom Group earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 17,856 million, up 4.1% from the previous year (+3.7% at constant exchange rates), thanks to the strong EBITDA growth in Morocco (+6.1%). EBITDA margin increased by 0.5 pt at constant exchange rates to reach the high level of 49.6% thanks to the Group's ongoing efforts to control the operating costs and the favorable impact of lower mobile call termination in its subsidiaries.

Earnings from operations

The Group's adjusted consolidated earnings from operations (EBITA) at the end of 2018 amounted to MAD 11,052 million, up 4.7% (+4.5% at constant exchange rates) compared to the same period in 2017, thanks to the 4.1% increase in EBITDA and the contained increase in depreciation and amortization expenses (+2.3%). The adjusted EBITA margin increased by 0.5 pt to 30.7%.

Group share of net income

The Group share of adjusted net income amounted to MAD 6,005 million, up 2.3% (+2.1% at constant exchange rates) compared to 2017 due to the strong increase in net income in Morocco.

The reported Group share of net income rose sharply by 5.3% (+5.2% at constant exchange rates), due to business growth in Morocco and a favorable base effect due to restructuring charges recorded in 2017.

Capital expenditure

The capital expenditure excluding licenses and frequencies amounted to MAD 5,924 million for the Group, a significant decrease of 26.1% compared to 2017 (-26.6% at constant exchange rates). They account for 16.4% of revenues, versus 22.9% for 2017. The optimization of development projects and the synergies found within the Group enabled this reduction while improving network coverage and quality of service, both in Morocco and in the subsidiaries.

The new licenses acquired in Mali and Togo amounted to MAD 719 million in 2018.

Cash flow

Adjusted cash flow from operations (CFFO) amounted to MAD 9,982 million, down 9.4% year-on-year.

As of December 31, 2018, consolidated Maroc Telecom Group net debt was up 6.4% at MAD 13.9 billion following the payment of licenses in the subsidiaries. Nevertheless it only represents 0.8 times the Group’s annual EBITDA.

2.2.2.2 Activities in Morocco

IFRS in MAD million	2017	2018
Revenues	**20,481**	**21,414**
Mobile	**13,335**	**13,966**
Services	*13,214*	*13,731*
Equipment	*121*	*235*
Fixed-Line	**8,962**	**9,239**
Of which Fixed-Line Data*	*2,664*	*2,935*
Eliminations and other income	**-1,816**	**-1,790**
EBITDA	**10,804**	**11,460**
Margin (%)	*52.8%*	*53.5%*
Adjusted EBITA	**6,954**	**7,620**
Margin (%)	*34.0%*	*35.6%*
CAPEX	**4,589**	**2,749**
Of which frequencies & licenses	*61*	
CAPEX/revenues (excl. frequencies &	*22.1%*	*12.8%*
Adjusted CFFO	**7,319**	**7,498**
Net debt	**11,009**	**10,422**
Net debt/EBITDA	*1.0x*	*0.9 x*

In 2018, the Moroccan operations generated revenues of MAD 21,414 million, up 4.6%, thanks to the growth of Data Mobile customer base whose revenue increased by 39.2% compared to the same period in 2017.

Earnings from operations before depreciation and amortization (EBITDA) reached MAD 11,460 million, up 6.1% thanks to the increase in revenues. The EBITDA margin increased by 0.8 pt to 53.5% thanks to the 0.5 pt improvement in the gross margin and the control of operating costs.

Adjusted earnings from operations amounted to MAD 7,620 million, up 9.6%, due to the increase in EBITDA and the 1.0% decrease in the depreciation and amortization expense. The adjusted EBITDA margin improved by 1.6 pt to reach 35.6%.

Adjusted cash flow from operations in Morocco amounted to MAD 7.5 billion at the end of 2018, up 2.4% thanks to the increase in EBITDA and an optimization in CAPEX, which represents 12.8% of revenues.

* Fixed-line data includes Internet, ADSL TV and Data services to businesses

Mobile

	Unit	2017	2018
Mobile			
Customer base	**(000)**	**18,533**	**19,062**
Prepaid	(000)	16,766	17,068
Postpaid	(000)	1,767	1,993
Of which 3G/4G+ Internet	**(000)**	**9,481**	**10,828**
ARPU	**(MAD/month)**	**58.0**	**58.6**

As of December 31, 2018, the Mobile customer base numbered 19.1 million customers, up 2.9% year-on-year, thanks to the 12.8% rise of postpaid customers and the +1.8% rise of prepaid customers.

Mobile revenue recorded their fourth consecutive quarter of growth. They grew 4.7% over the year to MAD 13,966 million. Outgoing revenue increased by 6.9% driven by the sharp growth in Mobile Data, which more than offset the decrease in Voice.

Blended 2018 ARPU amounted to MAD 58.6, up 1.0% compared to the same period in 2017 thanks to Data.

Fixed-Line and Internet

	Unit	2017	2018
Fixed lines	**(000)**	**1,725**	**1,818**
Broadband access	**(000)**	**1,363**	**1,484**

The fixed-line customer base grew 5.4%, with 1.8 million lines by the end of December 2018. The Broadband customer base grew by 8.9%, to nearly 1.5 million subscribers.

Fixed-line and Internet activities generated revenues of MAD 9,239 million, up 3.1% compared to 2017 thanks to the growth of customer bases.

2.2.2.3 International activities

Financial indicators

IFRS in MAD million	2017	2018
Revenues	**15,733**	**16,041**
Of which Mobile Services	14,274	14,647
EBITDA	**6,357**	**6,397**
Margin (%)	40.4%	39.9%
Adjusted EBITA	**3,599**	**3,431**
Margin (%)	22.9%	21.4%
CAPEX	**3,643**	**3,894**
Of which frequencies & licenses	156	719
CAPEX/revenues (excluding frequencies & licenses)	22.2%	19.8%
Adjusted CFFO	**3,700**	**2,484**
Net Debt	**5,767**	**6,514**
Net debt/EBITDA	0.9 x	1.0 x

The Group's international operations generated revenues of MAD 16,041 million, up 2.0% year-on-year (+0.9% at constant exchange rates), driven by the 5.1% growth in revenues of new subsidiaries (+3.5% at constant exchange rates), which offset the impacts of the erosion of incoming international traffic and of mobile call termination decrease.

At 2018-end, earnings from operations before amortization (EBITDA) amounted to MAD 6,397 million, up 0.6% (-0.2% at constant exchange rates). The EBITDA margin was 39.9%, down 0.5 pt, penalized by the weight of regulatory taxes and fees. Excluding this impact, the EBITDA margin grew by 0.6 pt to 41.0%.

Adjusted earnings from operations (EBITA) amounted to MAD 3,431 million, down 4.7% (-5.3% at constant exchange rates) due to the 6.8% increase in amortization expense as a result of the significant investments, which represented 19.8% of revenues excluding frequencies and licenses. The EBITA margin declined 1.4 pt at constant exchange rates to 21.4%.

Adjusted cash flow from operations (CFFO) from international activities amounted to MAD 2,484 million, down by 32.9%.

Operating indicators

	Unit	2017	2018
Mobile			
Customer base	(000)	**34,967**	**37,926**
Mauritania		2,139	2,397
Burkina Faso		7,196	7,634
Gabon		1,547	1,620
Mali		7,190	7,320
Côte d'Ivoire		7,734	8,646
Bénin		3,960	4,279
Togo		2,943	3,405
Niger		2,114	2,485
Central African Republic		144	140
Fixed-Line			
Customer base	(000)	**302**	**318**
Mauritanie		51	55
Burkina Faso		76	77
Gabon		21	22
Mali		155	164
Fixed-Line Broadband			
Customer base	(000)	**107**	**114**
Mauritanie		13	13
Burkina Faso		13	15
Gabon		16	17
Mali		64	69

2.3. 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 :

- Recognition of revenue related to the point loyalty program (fidelio) at the time of exchange or expiration of points;
- Recognition of sales commissions as consolidated operating expenses. These costs were initially netted against revenues in the separate financial statements;
- Activation of payroll costs relating to the deployment of fixed assets;
- Recognition of SIM cards in intangible assets;
- Inventory values of handsets sold but not activated are adjusted to account for the recognition of revenues upon activation;
- Elimination of capitalized costs from the balance sheet and recognition in the income statement of the change in the period;
- The recognition in the income statement of the exchange adjustements;
- Recognition of the impact of unwinding the retirement benefits provision discounting in financial income;
- Capitalization of deferred taxes on temporary differences arising from the separate financial statements, IFRS adjustments and tax loss carryforwards;
- Reclassification under net operating income of noncurrent operating items, and under net financial income of noncurrent financial items;
- The identification of leases for the right of use and the capitalization of rental expenses that meet the duration and value criteria required by IFRS 16 in fixed assets. This restatement gives rise to the creation of a new financial liability and the corresponding interest charges and the recognition of depreciation of rental expenses converted into fixed assets;
- Reclassification under current assets of assets held for sale;
- Reclassification of the corporate income tax liability component of tax debts;
- Reclassification under current items, of loan, financial debt and provision components maturing in less than a year.
- The other consolidation adjustments basically concern all consolidation transactions (elimination of consolidated securities, intra-group transactions and internal capital gains or losses, etc.).

3. CONSOLIDATED FINANCIAL STATEMENTS OF MAROC TELECOM GROUP

3. CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31 2017, 2018 AND 2019

Pursuant to regulation (EC) no. 1606/2002 of the European Parliament 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 STATEMENT OF FINANCIAL POSITION

ASSETS (In MAD million)	Note	2017	2018	2019
Goodwill	3	8,695	8,548	9,201
Other intangible assets	4	7,485	7,681	8,808
Property, plant, and equipment	5	32,090	31,301	31,037
Droit d'usage de l'actif	34	0	0	1,630
Titres mis en équivalence	6	0	0	0
Noncurrent financial assets	7	335	299	470
Deferred tax assets	8	273	224	339
Noncurrent assets		**48,879**	**48,053**	**51,486**
Inventories	9	296	348	321
Trade accounts receivable and other	10	11,325	11,839	11,380
Short term financial assets	11	119	138	128
Cash and cash equivalents	12	2,010	1,700	1,483
Assets available for sale		54	54	54
Current assets		**13,803**	**14,078**	**13,365**
TOTAL ASSETS		**62,682**	**62,131**	**64,851**

SHAREHOLDERS' EQUITY AND LIABILITIES (In MAD million)	Note	2017	2018	2019
Share capital		5,275	5,275	5,275
Retained earnings		4,854	4,383	4,069
Net earnings		5,706	6,010	2,726
Shareholders' equity attributable to equity holders of the parent	13	15,835	15,668	12,069
Noncontrolling interests		3,916	3,822	3,934
Shareholders' equity		**19,750**	**19,490**	**16,003**
Noncurrent provisions	14	570	464	504
Borrowings and other long-term financial liabilities	15	4,200	3,475	4,178
Deferred tax liabilities	8	244	246	258
Other noncurrent liabilities		0	0	0
Noncurrent liabilities		**5,014**	**4,185**	**4,939**
Trade accounts payable	16	25,627	24,095	23,794
Current tax liabilities		563	906	733
Current provisions	14	838	1,325	4,634
Borrowings and other short term financial liabilities	15	10,890	12,129	14,748
Current liabilities		**37,918**	**38,456**	**43,908**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**62,682**	**62,131**	**64,851**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In MAD million)	Note	2017	2018	2019
Revenues	17	**34,963**	**36,032**	**36,517**
Cost of purchases	18	-5,937	-6,011	-5,670
Payroll costs	19	-3,138	-2,891	-3,098
Taxes and duties	20	-2,838	-2,818	-3,183
Other operating income (expenses)	21	-6,183	-5,923	-5,610
Net depreciation, amortization, and provisions	22	-6,557	-7,337	-10,724
Earnings from operations		**10,310**	**11,052**	**8,231**
Other income and charges from ordinary activities		-32	-11	-11
Income from equity affiliates	23	0	0	0
Earnings from continuing operations		**10,278**	**11,040**	**8,220**
Income from cash and cash equivalents		6	3	2
Gross borrowing costs		-497	-527	-756
Net borrowing costs		**-491**	**-524**	**-754**
Other financial income and expenses		-1	99	-38
Net financial income (expense)	24	**-491**	**-425**	**-792**
Income tax	25	-3,208	-3,677	-3,830
Net income		**6,579**	**6,938**	**3,598**
Exchange gain or loss from foreign activities		463	-239	-226
Other income and expenses		-45	-5	43
Total comprehensive income for the period		**6,997**	**6,693**	**3,415**
Net income		**6,579**	**6,938**	**3,598**
Attributable to equity holders of the parent		5,706	6,010	2,726
Noncontrolling interests	26	873	928	873
Total comprehensive income for the period		**6,997**	**6,693**	**3,415**
Attributable to equity holders of the parent		5,940	5,855	2,604
Noncontrolling interests	26	1,014	839	811

EARNINGS PER SHARE		2017	2018	2019
Net earnings attributable to equity holders of the parent (in MAD millions)		**5,706**	**6,010**	**2,726**
Number of shares at December 31		879,095,340	879,095,340	879,095,340
Net earnings per share (in MAD)	27	**6.49**	**6.84**	**3.10**
Diluted net earnings per share (in MAD)	27	**6.49**	**6.84**	**3.10**

CONSOLIDATED STATEMENT OF CASH FLOW

(In MAD million)	Note	2017	2018	2019
Earnings from operations		10,310	11,052	8,231
Depreciation, amortization and other non-cash movements		6,582	7,318	10,721
Gross cash from operating activities		**16,892**	**18,370**	**18,952**
Other changes in net working capital		1,189	-883	419
Net cash from operating activities before tax		**18,081**	**17,487**	**19,372**
Income tax paid		-3,170	-2,967	-4,091
Net cash from operating activities (a)	12	**14,911**	**14,520**	**15,281**
Purchase of PP&E and intangible assets		-8,370	-8,075	-7,949
Purchases of consolidated investments after acquired cash		0	-469	-1,096
Investments in equity affiliates		0	0	
Increase in financial assets		-319	-194	-73
Disposals of PP&E and intangible assets		0	31	6
Decrease in financial assets		622	335	287
Dividends received from nonconsolidated investments		6	2	6
Net cash used in investing activities (b)		**-8,061**	**-8,369**	**-8,819**
Capital increase			0	
Dividends paid by Maroc Telecom	13	-5,598	-5,732	-6,003
Dividends paid by subsidiaries to their noncontrolling interests		-921	-798	-838
Changes in equity		**-6,519**	**-6,529**	**-6,841**
Proceeds from borrowings and increase in other long-term financial liabilities		1,681	1,347	2,270
Payments on borrowings and decrease in other noncurrent financial liabilities		0	0	
Proceeds from borrowings and increase in other short-term financial liabilities		910	1,933	2,860
Payments on borrowings and decrease in other current financial liabilities		-2,545	-2,682	-4,548
Change in net current accounts		0	0	
Net interest paid (cash only)		-784	-575	-473
Other cash expenses (income) used in financing activities		-9	6	-13
Change in borrowings and other financial liabilities		**-747**	**29**	**96**
Net cash used in financing activities (d)	12	**-7,266**	**-6,501**	**-6,744**
Translation adjustment and other noncash items (g)		**-13**	**40**	**65**
Total cash flows (a)+(b)+(d)+(g)	12	**-428**	**-310**	**-217**
Cash and cash equivalents at beginning of period		**2,438**	**2,010**	**1,700**
Cash and cash equivalents at end of period	12	**2,010**	**1,700**	**1,483**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in MAD million)	Note	Share capital	Earnings and retained earnings	Other comprehensive income	**Total Group share**	Non controling interest	Total
Restated position at January 1, 2017		**5,275**	**10,628**	**-427**	**15,476**	**3,822**	**19,298**
Total comprehensive income for the period			**5,706**	**319**	**6,025**	**1,014**	**7,039**
Change in gains and losses recognized directly in equity and recyclable in profit or loss			0	**319**	**319**	**144**	**463**
Gains and losses on translation				319	319	144	463
Change in gains and losses recognized directly in equity and recyclable in profit or loss				**-42**	**-42**	**-2**	**-45**
Actuarial difference				-5	-5	-2	-8
Actuarial gains and loses				-37	-37		-37
Capital increase					0		0
Capital decrease					0		0
Change in percentage without assumption/loss of control					0		0
Change in percentage with assumption/loss of control					0		0
Dividends			-5,591		-5,591	-918	-6,509
Treasury stock			-31		-31		-31
Other adjustements			-2		-2	-2	-4
Restated position at December 31, 2017		**5,275**	**10,710**	**-150**	**15,835**	**3,916**	**19,750**
Total comprehensive income for the period			**6,010**	**-156**	**5,855**	**839**	**6,694**
Change in gains and losses recognized directly in equity and recyclable in profit or loss			0	**-155**	**-155**	**-84**	**-239**
Gains and losses on translation				-155	-155	-84	-239
Change in gains and losses recognized directly in equity and recyclable in profit or loss				**-1**	**-1**	**-5**	**-5**
Actuarial difference				13	13	-5	9
Actuarial gains and loses				-14	-14		-14
Capital increase					0		0
Capital decrease					0		0
Share-based compensation					0		0
Change in percentage without assumption/loss of control			-346		-346	-126	-471
Change in percentage with assumption/loss of control					0		0
Dividends			-5,696		-5,696	-807	-6,503
Treasury stock			20		20		20
Other adjustements					0		0
Position at December 31, 2018		**5,275**	**10,699**	**-306**	**15,668**	**3,822**	**19,490**
Total comprehensive income for the period			**2,726**	**-122**	**2,604**	**811**	**6,715**
Change in gains and losses recognized directly in equity and recyclable in profit or loss			0	**-147**	**-147**	**-79**	**-226**
Gains and losses on translation				-147	-147	-79	-226
Revaluation differences					0		0
Revaluation differences on hedging instruments					0		0
Revaluation differences on equity instruments					0		0
Change in gains and losses recognized directly in equity and recyclable in profit or loss				**25**	**25**	**18**	**43**
Actuarial difference				25	25	18	43
Revaluation differences on equity instruments					0		0
Capital increase					0		0
Capital decrease					0		0
Share-based compensation					0		0
Change in percentage without assumption/loss of control					0		0
Change in percentage with assumption/loss of control			14		14		14
Dividends			-6,003		-6,003	-857	-6,860
Treasury stock			-1		-1		-1
Other adjustements			-213		-213	157	-56
Position at December 31, 2019		**5,275**	**7,222**	**-403**	**12,069**	**3,934**	**16,003**

At December 31, 2019, Maroc Telecom's share capital comprised 879,095,340 ordinary shares. Ownership of the shares was divided as follows :

- Etisalat: 53% through a holding company 91.3%-owned by Etisalat and 8.7%-owned by the Abu Dhabi Development Fund;
- Kingdom of Morocco: 22%;
- Other: 25%.

The reserves consist mainly of accumulated prior year retained earnings of which MAD 3,424 million of undistributable reserves at December 31, 2019 and Group part net income for the current year.

NOTE 1. ACCOUNTING PRINCIPLES AND VALUATION METHODS

Group companies are consolidated on the basis of their fiscal year ending December 31, except for CMC, whose fiscal year ends March 31, 2019.

The financial statements and notes were approved by the Management Board on January 14, 2020.

New acquisition :

Maroc Telecom finalized the acquisition of Tigo Tchad in 2019. Maroc Telecom has a 100% interest in the capital of the new subsidiary.

Tigo Tchad has been fully consolidated since July 1, 2019.

The Goodwill calculation will be finalized and published in the consolidated financial statements for the first half of 2020. The provisional version is as follows.

(In MAD million)	06/30/2019
Aggregate net equity at 30/06/2019	395
Overall acquisition price	1,175
Goodwill	780

Liquidation :

Maroc Telecom proceeded with the liquidation of the subsidiary Prestige which provided IT services on behalf of group subsidiaries. As such it has been removed from the consolidation scope.

1. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2019, 2018, AND 2017

Pursuant to regulation (EC) no.1606/2002 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, 2019, were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), applicable as endorsed by the European Union (EU). For purposes of comparison, the 2019 financial statements also include financial information on 2018 and 2017.

2. COMPLIANCE WITH ACCOUNTING STANDARDS

The consolidated financial statements of Maroc Telecom SA 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, 2019. The accounting standards applied to the consolidated financial statements do not differ from those issued by the International Accounting Standards Board (IASB).

2.1 Standards and interpretations applied by Maroc Telecom for fiscal year 2019

All the new standards, interpretations and amendments published by the IASB and mandatory in the European Union from January 1, 2019 have been applied.

2.1.1 Impact of application of the standards and interpretations adopted in 2019

IFRS 16 application

On January 13, 2016, the IASB published IFRS 16 "Leases". Effective January 1, 2019, IFRS 16 replaces IAS 17 and therefor, for tenants, removes the previous distinction between operating and finance leases.

Under IFRS 16, a lease is any contract that gives the tenant control of the use of an identified asset for a given period in exchange for consideration. All contracts that meet this definition have been included by the Group in the scope of the standard, with the exception of:

- Leases of intangible assets (licenses and software);
- Contracts meeting one of the practical exemptions provided for in the standard and adopted by the Group. These include leases with a term of less than twelve months and/or those where the replacement value of the underlying

asset is low. These contracts will nevertheless be disclosed in the notes to the financial statements and the related rents will be presented as rental expenses in the income statement.
- Leases whose residual term on transition date is less than 12 months in accordance with the transitional provisions in section "C10C1" are also exempt.
- Leases where the lessor has a substantial substitution right.
- Leases where the payment is variable.

IFRS 16 provides that an entity must determine the duration of the lease contract as being the time for which said contract cannot be terminated, to which are added the time intervals covered by any option to extend the lease term that the lessee is reasonably certain of exercising or, as applicable, not exercising without, however, exceeding the enforceable duration of each contract. The Group used the historical data of the leases for purposes of assessing the various options available to it.

The Group has adopted the simplified retrospective approach by recognising the cumulative effect of the initial application of the standard on the date of first application in equity without restatement of comparative periods.

The Group also implemented a dedicated computerized solution for monitoring leases and calculating the effects of IFRS 16.

In compliance with IFRS 16, the Group amortized the assets for right of use according to the rules of IAS 16 on amortization rates and method.

The Group opted for the incremental borrowing rate to discount the various flows of long-term debt. That rate is determined using market-based measures and according to maturity.

Recognition of leases in the balance sheet depends on the following elements:

- The reasonably certain duration adopted for each contract.
- The fixed and variable components of the contractual payment. It should be mentioned that the Group has opted not to separate the contractual service expenses from the rent.
- The incremental borrowing rate defined by the Group according to the duration and region concerned by each lease contract.
- The amortization period applicable for each category of asset.

Following analysis of the leases in the various subsidiaries and regions, the Group defined four major categories of right of use (land, buildings, technical plant and transport equipment).

It should be mentioned that the acquisition costs are not capitalized in compliance with the transitional provisions provided in paragraph C10d.

Reconciliation of Off-Balance Sheet Commitments and the amount of the rental obligation at 01/01/2019 :

EHB Published at 31/12/2018	**214**
Updating impact	-1
Exemptions	
Contracts with a duration of <= 12 months	-72
Contracts where the value of the underlying property is low	-9
Contracts where the underlying property is interchangeable	-34
Duration impact	1,208
Lease obligation as at 01/01/2019	**1,305**

Application of IFRIC 23

IFRIC 23 - "Uncertainty about Tax Treatment" came into force on January 1, 2019, to clarify certain aspects of IAS 12 "Income Taxes", which deals with the recognition and measurement of tax liabilities and assets.

For the application of IFRIC 23 within the Maroc Telecom Group, studies was carried out in order to identify and measure its impacts on the consolidated financial statements. The results of the analyses carried out confirm that the Group's current model for assessing and recognizing uncertain tax risks does not differ significantly from the new provisions of IFRIC 23. Consequently, the impact of the first-time application of this standard is not material on the consolidated financial statements.

2.2 Standards and interpretations applied by Maroc Telecom for fiscal year 2020

The Group considers that improvements texts planned for 2020 will have no material impact on its consolidated statements.

3. PRESENTATION AND PRINCIPLES GOVERNING THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENT

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.

The categories concerned are mentioned in the notes below. The consolidated financial statements are presented in Dirham and all values are rounded to the nearest million unless otherwise noted. They include the accounts of Maroc Telecom and its subsidiaries after elimination of intra-group transactions.

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.

3.1.1 Earnings from operations and earnings from continuing operations

Earnings from operations, which in documents previously issued by Maroc Telecom was called operating income, includes revenues, cost of purchases, payroll costs, taxes and duties, other operating income and expenses, as well as net depreciation, amortization and provisions.

Earnings from continuing operations includes earnings from operations, other income from continuing operations, other expenses on continuing operations (including impairment of goodwill and other intangible assets), as well as the share of net earnings of equity associates.

3.1.2 Financing costs and other financial income and expenses

Net financing costs comprise:

- Gross financing costs which includes interest payable on loans calculated using the effective-interest rate method;
- Financial income received from cash investments.

Other financial income and expenses mainly include gains and losses on currency translation (other than those relating to operating activities recognized under earnings from operations), dividends received from non-consolidated companies, earnings from consolidated activities or companies not recognized under earnings from discontinued activities or in the process of being discontinued.

3.2 Statement of financial position

Assets and liabilities with maturities shorter than the operating cycle, i.e. generally less than 12 months, are recognized under current assets or liabilities. If their maturities are longer than this, they are recognized under noncurrent assets or liabilities, except for operating expenses.

3.3 Consolidated statement of cash flows

Maroc Telecom group has chosen to present its consolidated cash flow statement using the indirect method. Working capital requirements from operations correspond to changes in the balance sheet items of trade receivables, inventories and trade payables.

3.4 Use of estimates and assumptions

The preparation of consolidated financial statements 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).
- IFRS 16 : The discount rate is estimated by taking into account risk, economic conditions and country specificities.

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, 2017, 2018, and 2019.

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 companies in which Maroc Telecom has a controlling interest, namely those in which it has the power to govern financial and operational policies to obtain benefits from their operations, are fully consolidated.

The new standard for consolidation, introduced by IFRS 10 as replacement of IAS 27 (amended) - Consolidated and Separate Financial Statements and by SIC 12 Special Purpose Vehicles, is based on the following three criteria that must be met simultaneously for Maroc Telecom to assume control :

- Maroc Telecom has power over the subsidiary when it has existing rights that give it the ability to direct the relevant activities (i.e., the activities that significantly affect the investee's returns); Power arises from existing and/or potential voting rights and/or contractual arrangements. The voting rights must be substantial (i.e., they may be employed at any time and without limitation, particularly during votes on important activities). Assessment of whether a parent has power over a subsidiary depends on the relevant activities of the subsidiary, it's decision-making procedures, and the breakdown of votes among the other shareholders.
- Maroc Telecom has exposure or rights to variable returns from its involvement with the subsidiary. These returns may vary in accordance with the subsidiary's performance. The notion of return is defined broadly and includes dividends and other forms of distributed economic benefits, the investment's valuation, cost savings, synergies, etc. ;
- Maroc Telecom has the ability to exercise its power to affect the returns. Any power that cannot affect returns is considered non-controlling.

The Group's consolidated financial statements are presented as those of a single economic entity with two types of owners: 1. the owners of Maroc Telecom Group (shareholders of Maroc Telecom SA), and 2. holders of non-controlling interests (minority shareholders of the subsidiaries). A non-controlling interest is defined as a stake in a subsidiary that cannot be directly or indirectly attributed to a parent company (hereinafter "non-controlling interests"). Consequently any changes in percentage of ownership of a parent company in a subsidiary that do not result in the loss of control affects only equity, because control is not changed within the economic entity.

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.

3.6 Business combinations

Business combinations from 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:

- 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;

and

- 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.

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 acquired 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.

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.

3.8 Translation of financial statements for 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 expenses are translated into dirhams at the average exchange rate over the period.

Foreign exchange differences arising from translation are recorded as foreign currency translation differences, as a separate component of shareholders' equity.

3.9 Assets

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. Subsequent to initial recognition, the historical cost model is applied to intangible assets that are amortized when they are ready for use. Depreciation is recorded for assets with limited useful life. The useful lives are reviewed at each closing.

The estimated useful lives are between 2 and 5 years.

IAS 38 does not recognize brands, subscriber bases and market segments generated internally as intangible assets.

Licenses for the operation of telecommunications networks are recorded at historical cost and are amortized on a straight-line basis as of the effective date of the service for the period of validity of the license.

The Maroc Telecom group chose not to use the option offered by IFRS 1 to choose to measure certain intangible assets at fair value on January 1, 2004 at this date.

Expenditures posted to intangible enterprises are capitalized only if they enhance the future economic benefits associated with the asset. Other expenses are recognized as expenses when incurred.

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.

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 various 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.

Fully 97,69% of such assets had been assigned property titles at the end of 2018. Although uncertainty over the property titles remains, the risk is limited, because the Moroccan government has guaranteed Maroc Telecom use of the transferred property as at the end of 2013, 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 projects 15 years
- Network equipment:
- Transmission (mobile) 10 years
- Switching 8 years
- Transmission (fixed line) 10 years
- Fixtures and fittings 10 years for various facilities
  20 years for the fitting out of buildings

- 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 through finance leases are recorded at the lower of the fair value of the asset and the present value of the minimum lease payments, and 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 as 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.

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 of such assets may not be recoverable. The impairment test compares the asset’s carrying amount with its recoverable amount (i.e., the higher of fair value less disposal costs and value in use).

The recoverable amount is determined for an individual asset as long as the asset generates cash inflows that are largely independent of those from 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 selected as its cash generating units its fixed and Mobile business units (BU).

3.9.5 Financial assets

The Group has applied the provisions of IFRS 9 to financial instruments that were not derecognized on the initial application date of 1 January 2017. All financial assets recognized within the scope of IFRS 9 have been measured at amortized cost or fair value based on the two criteria mentioned above, hereinafter the categories of financial assets identified by Maroc Telecom:

- Financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost in accordance with IFRS 9 because they are held in a business model to collect contractual cash flows. These cash flows consist solely of the payment of principal and interest on the outstanding principal.
- Equity securities classified as available-for-sale have been irrevocably classified as fair value through other comprehensive income.
- Investments in treasury shares held for trading continue to be measured at fair value through net income.
- Held-for-trading financial assets continue to be measured at fair value through net income under IFRS 9 because these investments are managed as a trading portfolio and settlement is based on changes in the fair value of the underlying securities and interest.

Thus, no change in the classification of the Group's active financial instruments has been identified in accordance with the new IFRS 9 standard, which has not generated any material impact on the financial statements.

3.9.6 Inventories

Inventories are composed of :

- goods which correspond to inventories intended for sale to customers when their line is opened and consist of Fixed-line, Mobile Inernet or Multimedia handsets and their accessories, with the exception of SIM cards. These inventories are valued using the CUMP method;
- handsets delivered to distributors and not activated at the balance sheet date are recorded in inventories;
- handsets that are not activated within nine months from the delivery date are recognized as revenue;
- materials and supplies corresponding to items not dedicated to the network. These inventories are valued at their average acquisition cost.

Inventories are valued at the lower of cost or net realizable value. An impairment loss is recognized based on the outlook for the sale and condition of the inventory (whether for Mobile, Fixed-line, Internet or technical assets).

3.9.7 Trade accounts receivable and other receivables

This item comprises trade receivables and other receivables, initially recognized at fair value and subsequently at amortized cost less impairment losses.

Trade accounts receivable includes trade receivables and government receivables:

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

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

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.

3.10 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 disposal and not by its continued utilization. To qualify as held for sale, the asset must be available for immediate sale and the disposal 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 fair value (net of disposal fees) and 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 operation. Discontinued operations are reported on a single line of 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, operating, investing, and financing cash flows generated by discontinued operations are reported on the statement of cash flows.

Financial liabilities

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

Borrowings

All borrowings are initially accounted for at fair value of the amount received, net of borrowing costs.
The allocation of borrowings to current and noncurrent liabilities is performed on the basis of contractual maturity.
The borrowings granted by Etisalat have not been updated due to their insignificant nature.

3.11 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 discounted to their present value 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 recorded and a disclosure is made 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 begun to implement the program or has announced the program publicly. Future operating expenses are not provisioned.

Pension commitments are estimated for the subsidiaries, taking into account actuarial assumptions.

3.12 Deferred taxes

Deferred taxes are accounted for using the liability method, for differences existing at closing between the tax-base value of assets and liabilities and their carrying value on the balance sheet.

Deferred tax liabilities are recognized for all taxable temporary differences:

- except for temporary differences generated by the initial recognition of goodwill;

and

- 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 carry forwards, and unused tax credits, insofar as it is 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 income, or taxable losses;

- for deductible temporary differences arising from investments in subsidiaries, affiliates, and joint ventures, deferred tax assets are recorded 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 value of deferred tax assets is reviewed at each closing date and reduced to the extent that it is no longer probable that a taxable profit will be available to allow the deferred tax asset to be utilized.

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) enacted or substantially enacted by the closing date.

Taxes for items credited or charged directly to equity are recognized in equity, not in profit or loss.

3.13 Trade accounts payable

Trade accounts payable include trade payables and other accounts payable. These are measured initially at historical cost and subsequently at amortized cost.

3.14 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 assessed 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 of the expense differs:

- For equity-settled instruments, the value of the instruments granted is initially estimated and fixed at grant date, then allocated over the vesting period on the basis of features of equity-settled instruments. The obligation is recorded in equity.
- For cash-settled instruments, the value of the instruments granted is initially estimated and fixed at grant date and is then re-estimated at each reporting date; the expense is adjusted pro rata for subsequent changes in the value of the vested rights. The obligation is allocated over the vesting period on the basis of features of cash-settled 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 retroactively, to January 1, 2004.

In 2017, 2018 and 2019 no compensation paid in shares is recognized.

3.15 Revenus

Maroc Telecom revenues arise primarily from the sale of Mobile, Fixed-line and Internet telecommunication services and from the sale of equipment:

- Mobile, Fixed-line and Internet revenues consist of:
  - ✓ Income from standard subscriptions as well as from postpaid plans;
  - ✓ Outgoing national and international call revenues (excluding plans), as they are used;
  - ✓ Incoming national and international call revenues;
  - ✓ Revenues generated by ADSL and mobile Internet offers Revenues generated by Mobile customers who are non-residents of Morocco, using Maroc Telecom networks (Roamers);
  - ✓ Income from data-transmission services provided to businesses, internet service providers, and other telecommunications operators;
  - ✓ Income from the sale of advertising inserts in printed and electronic directories that are taken into account when they are published;
  - ✓ Revenues generated by Value-Added Services (VAS).

- Equipment sales covers all sales of equipment (mobile handsets, broadband equipment, connected objects, and accessories);

Income from contracts with customers is recognized under revenue when the provider's obligations are met immediately or gradually. Revenues from incoming and outgoing call traffic are recognized when the service is provided. For prepaid services, revenues are recognized as calls are made. Revenue from equipment is recognized when the line is activated.

Revenue from contracts with customers is recognized if the following conditions are met:

- The parties to the contract have approved it (in writing, orally, or according to other normal business practices) and have undertaken to fulfill their respective obligations;
- The company can identify each party's rights to the goods or services to be provided;
- The company can identify the payment terms agreed for the goods or services to be provided;
- The contract has commercial substance (causes an identifiable and measurable change in the economic circumstances of the entity or associated risk);
- It is probable that the entity will receive the consideration to which it is entitled in exchange for the goods or services that it will provide to the customer.

Revenues from telephone subscriptions are recognized on a straight-line basis over the subscription contract period.

Revenues from Value-Added Services (VAS) are recognized as follows:

- Sales of services developed by Maroc Telecom are recorded gross;
- Sales of services to customers managed by Maroc Telecom on behalf of content providers (mainly premium-rate numbers) are recorded net of related expenses.
- When sales are made via a third-party distributor supplied by the Group and involve a discount on the retail price, revenues are recorded as gross revenues and commissions granted are recognized as operating expenses.

The criteria for determining whether Maroc Telecom is acting as a “principal” or “agent” are analyzed in line with the indicators in paragraph B37 of IFRS 15: "Entity acting as principal or agent".

Benefits granted by Maroc Telecom and its subsidiaries to customers under loyalty programs in the form of free services or reductions are recognized in accordance with IFRS 15 and deferred until such time as the acquired points are used or expire.

3.16 Cost of purchases

Purchases consumed mainly include purchases of Mobile and Fixed-line equipment and interconnection costs.

3.17 Other operating income and expenses

This item comprises mainly commissions to distributors, network-maintenance expenses, advertising and marketing costs, and restructuring charges.

3.18 Net financing costs

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

Investment income is recognized in the statement of earnings when acquired.

3.19 Tax expenses

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

4. CONTRACTUAL COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

On an annual basis, Maroc Telecom and its subsidiaries draw up a detailed list of all contractual obligations, financial and commercial commitments and contingent obligations to which they are party or exposed. This list is regularly updated by the relevant departments and reviewed by the Group's management.

Off-balance sheet commitments to suppliers of fixed assets are measured on the basis of actual orders placed. The commitment corresponds to the difference between the orders issued and the completion of these orders.

In addition, commitments relating to real estate lease contracts are estimated on the basis of the notice period provided for in the termination clause of the contract. The Group only includes commitments that do not fall within the scope of the new IFRS16 standard.

5. SEGMENT DATA

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment) or in providing related products or services (business segment) and is subject to risks and returns that are different from those of other segments.

In order to comply with the internal reporting indicators set out in IFRS 8, Maroc Telecom has chosen to present its main financial and operating indicators by geographical area, through the creation, in parallel with Morocco, of a new international segment grouping its current subsidiaries in Mauritania, Burkina Faso, Gabon, Mali, Cote d'Ivoire, Benin, Togo, Niger, Central African and Chad.

6. NET CASH POSITION

It corresponds to cash, cash equivalents and cash blocked for borrowing less borrowings.

7. EARNING PER SHARE

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

Diluted earnings per share are calculated by dividing:

- net profit of the fiscal year (Group share); and
- 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 that are convertible into ordinary shares.

At December 31, 2019, there were no potentially dilutive instruments.

NOTE 2. SCOPE OF CONSOLIDATION

The scope of consolidation of Maroc Telecom Group expanded with the acquisition of a new subsidiary in Chad (Tigo Tchad), the impact of which on the consolidated financial statements has been taken into account since July 1, 2019, the effective date of entry into the scope of consolidation of MT.

Company	Legal form	% Group interest	% Capital held	Consolidation method
Maroc Telecom	**SA**	**100%**	**100%**	**IG**
Avenue Annakhil Hay Riad Rabat-Maroc				
Compagnie Mauritanienne de Communication (CMC)	**SA**			
Dec 31, 19		**80%**	**80%**	**IG**
Dec 31, 18		80%	80%	IG
Dec 31, 17		80%	80%	IG
563, Avenue Roi Fayçal Nouakchott-Mauritanie				
Mauritel SA	**SA**			
Dec 31, 19		**41%**	**52%**	**IG**
Dec 31, 18		41%	52%	IG
Dec 31, 17		41%	52%	IG
Avenue Roi Fayçal Nouakchott-Mauritanie				
Onatel	**SA**			
Dec 31, 19		**61%**	**61%**	**IG**
Dec 31, 18		61%	61%	IG
Dec 31, 17		51%	51%	IG
705, AV. de la nation 01 BP10000 Ouagadougou – Burkina Faso				
Gabon Telecom	**SA**			
Dec 31, 19		**51%**	**51%**	**IG**
Dec 31, 18		51%	51%	IG
Dec 31, 17		51%	51%	IG
Immeuble 9 étages, BP 40 000 Libreville-Gabon				
Sotelma	**SA**			
Dec 31, 19		**51%**	**51%**	**IG**
Dec 31, 18		51%	51%	IG
Dec 31, 17		51%	51%	IG
Hamdallaye ACI 2000, BP 740,Bamako-Mali				
Casanet	**SA**			
Dec 31, 19		**100%**	**100%**	**IG**
Dec 31, 18		100%	100%	IG
Dec 31, 17		100%	100%	IG
Imm Riad 1, RDC, Avenue Annakhil Hay Riad Rabat-Maroc				
Atlantique Telecom Côte d'Ivoire	**SA**			
Dec 31, 19		**85%**	**85%**	**IG**
Dec 31, 18		85%	85%	IG
Dec 31, 17		85%	85%	IG
Abidjan-Plateau, Immeuble KARRAT, Avenue Botreau Roussel				
Etisalat Bénin	**SA**			
Dec 31, 19		**100%**	**100%**	**IG**
Dec 31, 18		100%	100%	IG
Dec 31, 17		100%	100%	IG
Cotonou, ilot 553, quartier Zongo Ehuzu, zone résidentielle, avenue Jean Paul 2, immeuble Etisalat				
Atlantique Telecom Togo	**SA**			
Dec 31, 19		**95%**	**95%**	**IG**
Dec 31, 18		95%	95%	IG
Dec 31, 17		95%	95%	IG
Boulevard de la Paix, Route de l'Aviation, Immeuble Moov-Etisalat - Lomé				
Atlantique Telecom Niger	**SA**			
Dec 31, 19		**100%**	**100%**	**IG**
Dec 31, 18		100%	100%	IG
Dec 31, 17		100%	100%	IG
720 Boulevard du 15 avril Zone Industrielle, BP 13 379, Niamey				
Atlantique Telecom Centrafrique	**SA**			
Dec 31, 19		**100%**	**100%**	**IG**
Dec 31, 18		100%	100%	IG
Dec 31, 17		100%	100%	IG
Bangui, BP 2439, PK 0, Place de la République, Immeuble SOCIM, rez-de-chaussée				
Prestige Telecom Côte d'Ivoire	**SA**			
Dec 31, 18		100%	100%	IG
Dec 31, 17		100%	100%	IG
Grand Bassam Zone Franche VITIB ex-Complexe IIAO, 01 BT 8592 Abidjan				
Millicom Tchad*	**SA**			
Dec 31, 19		**100%**	**100%**	**IG**
N'Djamena, BP 6505, Avenue Charles DE GAULLE, Tchad				

**Integrated in the perimeter since 01/07/2019*

NOTE 3. GOODWILL

(In MAD millions)	2017	2018	2019
Mauritel	136	136	136
Onatel	1,838	1,838	1,838
Gabon Telecom	668	656	647
Sotelma	4,776	4,669	4,584
Filiales Moov	1,271	1,243	1,211
Casanet	5	5	5
Tigo			780
Total net	**8,695**	**8,548**	**9,201**

From July 1, 2009, business combinations are recognized using the full goodwill method. Goodwill is allocated to cash generating units (CGU) identified under IAS 36. Goodwill of Sotelma and the new Moov subsidiaries has been calculated in accordance with the revised IFRS 3 standard.

Goodwill is tested for impairment at least once a year and whenever there is evidence of loss of value.

An impairment test consists of comparing the carrying amount of each CGU with its market value. The latter is estimated on the basis of discounted cash flows, derived from individual 5-year business plans. In the case of Casanet, the market value is estimated using the stock market multiples method. The recently acquired subsidiary in Chad will be tested for impairment in 2020. The goodwill of Millicom Chad presented in the financial statements at 31 December 2019 is provisional; the calculation will be finalised and published in the consolidated financial statements for the first half of 2020.

Goodwill-impairment tests are based on the following assumptions :

CGU	Valuation method	Discount rate in local currency	Perpetual growth rate in local currency
Mauritel	DCF*	15.50%	1.50%
Onatel	DCF	12.00%	1.50%
Gabon Telecom	DCF	12.50%	1.50%
Sotelma	DCF	13.50%	3.00%
Filiales Moov	DCF	[9,5% - 16%]	3.00%
Casanet	Multiples boursiers	Average of 12,5 x l'EBITDA 2019 and 11 x of 2020 EBITDA	

* : Discounted Cash Flows

Goodwill variation table

(in MAD million)	Beginning of period	Impairment	Translation adjustment	Reclassification	Change in scope of	End of period
2017	**8,360**	**0**	**336**	**0**	**0**	**8,695**
Mauritel	137		0			136
Onatel	1,838					1,838
Gabon Telecom	641		27			668
Sotelma	4,532		244			4,776
Casanet	5					5
Filiales Moov	1,206		65			1,271
2018	**8,695**	**0**	**-147**	**0**	**0**	**8,548**
Mauritel	136		0			136
Onatel	1,838					1,838
Gabon Telecom	668		-12			656
Sotelma	4,776		-107			4,669
Casanet	5					5
Filiales Moov	1,271		-28			1,243
2019	**8,548**	**0**	**-129**	**0**	**782**	**9,201**
Mauritel	136		0			136
Onatel	1,838					1,838
Gabon Telecom	656		-9			647
Sotelma	4,669		-86			4,584
Casanet	5					5
Filiales Moov	1,243		-23		-9	1,211
Tigo			-11		791	780

NOTE 4. OTHER INTANGIBLE ASSETS

(in MAD million)	2017	2018	2019
Software	1,674	1,508	1,442
Telecom license	4,289	4,554	5,682
Other intangible assets	1,522	1,618	1,685
Net total	**7,485**	**7,681**	**8,808**

The “telecom licenses” item includes the following licenses.

- The 2G licenses of ITISSALAT AL MAGHRIB SA, Mauritel, AT Togo , AT Niger and Tigo Chad ;
- The 3G licenses of ITISSALAT AL MAGHRIB SA, Mauritel, AT Togo, AT Niger and Tigo Chad;
- The global Mobile licenses of Gabon Telecom, Etisalat Benin and AT RCA;
- The global licenses of Onatel, Sotelma and AT CDI;
- The 4G licenses of ITISSALAT AL MAGHRIB SA, Sotelma, AT Togo and Tigo Chad.

"Other intangible non-current assets" primarily includes patents, trademarks, and assets reflecting business combinations such as customer bases identified when measuring the goodwill of acquired subsidiaries.

2019

(in MAD million)	2018	Acquisitions and additions	Disposals and	Translation adjustment	Change in scope of	Reclassification	2019
Gross	**22,752**	**2,324**	**-4**	**-236**	**644**	**-94**	**25,387**
Software	8,662	668	-4	-74	89	-119	9,222
Telecom license	8,165	1,316		-144	543	2	9,882
Other intangible assets	5,925	340		-18	12	23	6,283
Amortization and impairment	**-15,071**	**-1,382**	**3**	**134**	**-270**	**7**	**-16,578**
Software	-7,154	-624	3	54	-66	7	-7,780
Telecom license	-3,610	-447		66	-199	-10	-4,200
Other intangible assets	-4,307	-311		14	-5	10	-4,598
Net total	**7,681**	**942**	**-0**	**-102**	**374**	**-86**	**8,808**

Intangible assets recorded a gross increase of MAD2,324 million relating to new acquisitions, detailed as follows :

- Investments in telecom licenses amounting to MAD1,316 million.
- Investments in software amounting to MAD668 million.
- Capital expenditure on patents and trademarks in Morocco amounted to MAD210 million.

2018

(in MAD million)	2017	Acquisitions and additions	Disposals and	Translation adjustment	Change in scope of	Reclassification	2018
Gross	**21,574**	**1,628**	**-150**	**-244**	**0**	**-57**	**22,752**
Software	8,478	486	-147	-75		-80	8,662
Telecom license	7,588	719		-149		6	8,165
Other intangible assets	5,507	423	-3	-20		17	5,925
Amortization and impairment	**-14,089**	**-1,286**	**148**	**126**	**0**	**29**	**-15,071**
Software	-6,804	-562	146	52		14	-7,154
Telecom license	-3,299	-382		71		0	-3,610
Other intangible assets	-3,985	-342	2	4		15	-4,307
Net total	**7,485**	**342**	**-2**	**-118**	**0**	**-27**	**7,681**

2017

(in MAD million)	2016	Acquisitions and additions	Disposals and	Translation adjustment	Change in scope of	Reclassification	2017
Gross	**20,009**	**1,405**	**-11**	**445**		**-274**	**21,574**
Software	7,732	911	-11	117		-271	8,478
Telecom license	7,296			292		0	7,588
Other intangible assets	4,981	494		36		-3	5,507
Amortization and impairment	**-12,631**	**-1,332**	**10**	**-246**		**110**	**-14,089**
Software	-6,321	-528	10	-84		118	-6,804
Telecom license	-2,708	-434		-138		-19	-3,299
Other intangible assets	-3,601	-369		-25		10	-3,985
Net total	**7,378**	**73**	**-1**	**199**		**-164**	**7,485**

The reclassification column concerns transfers between line items of intangible assets.

NOTE 5. PROPERTY, PLANT, AND EQUIPMENT

(in MAD million)	2017	2018	2019
Land	1,607	1,593	1,637
Buildings	2,876	2,982	3,041
Technical installations, machinery and equipment	26,612	25,542	25,321
Transportation, equipment	92	319	279
Office equipment, furniture, and fittings	712	617	634
Other property, plant, and equipment	192	248	125
Net total	**32,090**	**31,301**	**31,037**

The “Other property, plant, and equipment” item mainly includes advances and deposits for property, plant and equipment orders.

2019

(in MAD million)	2018	Acquisitions & dotations	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	Assets held for sale	2019
Gross	**107,145**	**4,464**	**-84**	**-816**	**3,024**	**-96**	**0**	**113,637**
Land*	1,619	21	-17	-14	55	0		1,663
Buildings*	9,008	264		-31	105	46		9,393
Technical plant, machinery and equipment	89,605	3,917	-53	-727	2,652	207		95,601
Transportation, equipment	792	22	-14	-10	57	-66		781
Office equipment furniture and fittings	5,720	194	0	-28	149	-87		5,948
Other property, plant, and equipment	401	46		-7	7	-196		252
Depreciation and impairment	**-75,843**	**-5,637**	**83**	**557**	**-1,921**	**161**	**0**	**-82,600**
Land	-26	-2		1				-26
Buildings	-6,027	-306	17	24	-32	-28		-6,352
Technical plant, machinery, and equipment	-64,062	-5,046	53	496	-1,729	9		-70,280
Transportation equipment	-473	-59	14	8	-48	56		-502
Office equipment, furniture, and fittings	-5,103	-219	0	25	-112	95		-5,313
Other property, plant, and equipment	-152	-6		3		29		-127
Net total	**31,301**	**-1,173**	**0**	**-260**	**1,104**	**65**	**0**	**31,037**

Acquisitions of property, plant and equipment amounting to MAD4,464 million are mainly due to investments made in network infrastructure in 2019, as follows

- MAD2,490 million in Morocco ;
- MAD1,973 million in subsidiries.

2018

(in MAD million)	2017	Acquisitions & dotations	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	Assets held for sale	2018
Gross	**103,303**	**5,015**	**-341**	**-840**	**0**	**7**	**0**	**107,145**
Land	1,631	13	-9	-15		-1		1,619
Buildings	8,650	401	-3	-31		-9		9,008
Technical plant, machinery and equipment	86,534	3,985	-308	-745		138		89,605
Transportation, equipment	549	273	-19	-10		0		792
Office equipment furniture and fittings	5,604	193	-2	-31		-44		5,720
Other property, plant, and equipment	336	150	-1	-8		-77		401
Depreciation and impairment	**-71,213**	**-5,572**	**354**	**568**	**0**	**20**	**0**	**-75,843**
Land	-24	-2		0		0		-26
Buildings	-5,774	-281	3	26		0		-6,027
Technical plant, machinery, and equipment	-59,922	-4,963	330	503		-11		-64,062
Transportation equipment	-457	-51	19	8		7		-473
Office equipment, furniture, and fittings	-4,892	-264	2	27		24		-5,103
Other property, plant, and equipment	-144	-12	0	3		0		-152
Net total	**32,090**	**-557**	**13**	**-272**	**0**	**28**	**0**	**31,301**

2017

(in MAD million)	2016	Acquisitions & dotations	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	Assets held for sale	2017
Gross	**95,532**	**6,851**	**-164**	**1,540**		**-432**	**0**	**103,303**
Land	1,584	16		31		0		1,631
Buildings	8,300	297	0	53		0	0	8,650
Technical plant, machinery and equipment	79,402	6,164	-10	1,364		-386		86,534
Transportation, equipment	616	36	-113	13		-2		549
Office equipment furniture and fittings	5,303	200	-40	61		80		5,604
Other property, plant, and equipment	327	115	0	17		-122		336
Depreciation and impairment	**-65,551**	**-5,595**	**380**	**-1,050**		**604**		**-71,213**
Land	-12	-13		0				-24
Buildings	-5,441	-287	1	-48		0		-5,774
Technical plant, machinery, and equipment	-54,951	-4,974	291	-931		643		-59,922
Transportation equipment	-467	-42	48	-12		16		-457
Office equipment, furniture, and fittings	-4,557	-265	39	-53		-56		-4,892
Other property, plant, and equipment	-123	-14	0	-7				-144
Net total	**29,981**	**1,256**	**216**	**489**		**148**	**0**	**32,090**

NOTE 6. INVESTMENTS IN EQUITY AFFILIATES

No equity interest was accounted for by the equity method in 2017, 2018, or 2019.

NOTE 7. NONCURRENT FINANCIAL ASSETS

(in MAD million)	Note	2017	2018	2019
Unconsolidated investments	7.1	102	73	87
Other financial assets		233	226	383
Net total		**335**	**299**	**470**

At December 31, 2019, other financial assets mainly comprised :

- MAD159 million in guarantee deposits for the mobile money business at the AT Togo subsidiary;
- MAD94 million in cash blocked for borrowings at AT Togo, Sotelma and Onatel.
- Maroc Telecom's financial assets of MAD73 million.
- loans granted by Mauritel for MAD32 million.

At December 31, 2019, the maturities of other financial assets were as follows :

(in MAD million)	Note	2017	2018	2019
Due in less than 12 months		172	168	244
Due in 1 to 5 years		59	57	105
Due in more than 5 years		2	0	33
Net total		**233**	**226**	**383**

7.1 Unconsolidated interests

2019

(in MAD million)	Percentage held	Gross value	Impairment	Carrying amount
Arabsat	NS	12		**12**
Autoroute du Maroc	NS	20	4	**16**
Thuraya	NS	10	8	**2**
Médi1 TV	8%	169	147	**23**
RASCOM	9%	45	34	**10**
Sonatel	NS	8		**8**
CMTL	25%	6	6	**0**
INMARSAT	NS	12	12	**0**
IMT/GIE	20%	1		**1**
MT Fly	100%	20	20	**0**
Hôtels de la Gare	NS	1	1	**0**
MT CASH	100%	10		**10**
Incubateur numérique Gabon	5%	**0**		**0**
Moov Money	100%	**5**		**5**
Total		**319**	**231**	**87**

In 2019, the share of non-consolidated companies increased by 20%, mainly due to the creation of MT Cash, in which Maroc Telecom holds a 100% stake. The « Fond d'amorcage Sindibad » was removed from the assets of Maroc Telecom group following the liquidation of the company in 2019.

2018

(in MAD million)	Percentage held	Gross value	Impairment	Carrying amount
Arabsat	NS	12		**12**
Autoroute du Maroc	NS	20	4	**16**
Thuraya	NS	10	8	**2**
Fond d'amorçage Sindibad	10%	5	5	**0**
Médi1 TV	8%	169	147	**23**
RASCOM	9%	46	35	**11**
Sonatel	NS	9		**9**
CMTL	25%	6	6	**0**
INMARSAT	NS	12	12	**0**
IMT/GIE	20%	1		**1**
MT Fly	100%	20	20	**0**
Hôtels de la GARE	NS	1	1	**0**
Total		**310**	**237**	**73**

2017

(in MAD million)	Percentage held	Gross value	Impairment	Carrying amount
Arabsat	NS	12		**12**
Autoroute du Maroc	NS	20	4	**16**
Thuraya	NS	10		**10**
Fond d'amorçage Sindibad	10%	5	5	**0**
Médi1 TV	8%	169	138	**31**
RASCOM	9%	47	36	**11**
Sonatel	NS	13		**13**
CMTL	25%	6	6	**0**
INMARSAT	NS	12	4	**8**
IMT/GIE	20%	1		**1**
MT Fly	100%	20	20	**0**
Hôtels de la GARE	NS	1	1	**0**
Total		**316**	**213**	**102**

NOTE 8. CHANGE IN DEFERRED TAXES

8.1 Net position

(in MAD million)	2017	2018	2019
Assets	273	224	339
Liabilities	244	246	258
Net position	**29**	**-23**	**81**

8.2 Change in deferred taxes

2019

(in MAD million)	2018	Charge to profit or loss	Impact on shareholders' equity	Change in scope of consolidation	Reclassifications	Translation adjustment	2019
Assets	224	64	-14	18	51	-5	339
Liabilities	246	4	2	7	-1	-1	258
Net position	**-23**	**60**	**-15**	**10**	**52**	**-4**	**81**

Deferred tax assets and deferred tax liabilities increased by MAD115 million and MAD11 million respectively compared with 2018.

The increase in deferred tax assets is mainly due to the change in extra-accounting reinstatements at certain subsidiaries and to the effect of the new subsidiary Tigo, which has been integrated into the group's scope of consolidation.

2018

(in MAD million)	2017	Charge to profit or loss	Impact on shareholders' equity	Change in scope of consolidation	Reclassifications	Translation adjustment	2018
Assets	273	-25	-28		9	-5	224
Liabilities	244	15	-1		-11	-1	246
Net position	**29**	**-39**	**-27**	**0**	**19**	**-5**	**-23**

2017

(in MAD million)	2016	Charge to profit or loss	Impact on shareholders' equity	Change in scope of consolidation	Reclassifications	Translation adjustment	2017
Assets	276	8	2		-26	14	273
Liabilities	266	6	-1		-28	1	244
Net position	**10**	**2**	**3**	**0**	**2**	**13**	**29**

Components of deferred taxes

(in MAD million)	2017	2018	2019
Impairment deductible in later period	55	55	55
Restatement (IFRS) of revenues	-27	-21	-19
Deferred losses	62	62	62
Other	-61	-119	-17
Net position	**29**	**-23**	**81**

NOTE 9. INVENTORIES

(in MAD million)	2017	2018	2019
Inventories	500	530	498
Impairment (-)	-204	-182	-177
Net total	**296**	**348**	**321**

Gross inventories at December 31, 2019 mainly comprise inventories in Morocco, including :

- MAD242 million in inventories;
- MAD119 million of inventories of consumable materials and supplies.

The breakdown of inventories at the level of subsidiaries follows the same trend as that of Maroc Telecom.
Changes in inventories are recorded under purchases consumed.
Impairment of inventories is recorded under "Net depreciation, impairment and provisions".

NOTE 10. TRADE ACCOUNTS RECEIVABLE AND OTHER

(in MAD million)	2017	2018	2019
Trade receivables and related accounts	8,527	8,534	8,112
Other receivables and accruals	2,798	3,305	3,268
Net total	**11,325**	**11,839**	**11,380**

10.1 Trade receivables and related accounts

(in MAD million)	2017	2018	2019
Trade receivables	14,554	14,882	14,422
Gouvernment receivables	1,611	1,391	1,480
Depreciation of trade receivables (-)	-7,638	-7,739	-7,790
Net total	**8,527**	**8,534**	**8,112**

Net trade receivables are down compared to 2018.

10.2 Other receivables and accruals

(in MAD million)	2017	2018	2019
Trade receivables, advances, and deposits	169	464	186
Employee receivables	82	59	79
Tax receivables	1,193	1,064	1,371
Other receivables	985	1,298	1,282
Accruals	369	419	351
Net total	**2,798**	**3,305**	**3,268**

The "tax receivables" item mainly represents VAT and corporate income tax receivables.

In 2019, the balance of tax receivables amounted to MAD1,371 million (versus MAD1,064 million in 2018), up 29%. This mainly concerned recoverable VAT, which increased by MAD164 million.

NOTE 11. SHORT-TERM FINANCIAL ASSETS

(in MAD million)	2017	2018	2019
Term deposit > 90 days			
Escrow account	119	138	126
Marketable securities			
Other short-term financial assets			3
Net total	**119**	**138**	**128**

Maroc Telecom commissioned Rothschild Martin Maurel to execute a liquidity contract on the Paris stock exchange and a share price adjustment agreement on the Casablanca stock exchange to maintain the liquidity of its stock.

NOTE 12. CASH AND CASH EQUIVALENTS

(in MAD million)	2017	2018	2019
Cash	1,923	1,664	1,479
Cash equivalents	87	35	4
Cash and cash equivalents	**2,010**	**1,700**	**1,483**

Cash and cash equivalents decreased by MAD217 million. This decline is common to both the Morocco and Subsidiaries segments.

Change in cash and cash equivalents

(in MAD million)	2017	2018	2019
Net cash from operating activities	14,911	14,520	15,281
Net cash used in investing activities	-8,061	-8,369	-8,819
Net cash used in financing activities	-7,266	-6,501	-6,744
Foreign-currency translation adjustments	-13	40	65
Change in cash and cash equivalents	**-428**	**-310**	**-217**
Cash and cash equivalents at beginning of period	2,438	2,010	1,700
Cash and cash equivalents at end of period	2,010	1,700	1,483
Change in cash and cash equivalents	**-428**	**-310**	**-217**

The decrease in cash and cash equivalents is explained by the increase in disbursements related to investing and financing activities. The Group has undertaken major investment projects, in particular the acquisition of new licences and the financial support it provided to its new subsidiary Millicom Chad to improve its performance.

Net cash from operating activities

In 2019, net cash flow from operating activities amounted to MAD15,281 million, up MAD761 million compared with 2018. This increase is consistent with the increase in earnings from operations and is mainly due to a MAD746 million increase and the optimization of payments of operating payables and receivables.

Net cash used in investing activities

Net cash used in investing activities amounted to MAD -8,822 million, up MAD450 million compared with 2018. This increase is due to the new acquisitions of fixed assets during the period, mainly financial assets in the form of Tigo Chad financial securities.

Net cash used in financing activities

This cash flow is mainly due to dividend payments to shareholders for MAD7,244 million and debt servicing disbursements of MAD4,210 million. The main cash inflows during the period were MAD2,134 million in borrowings contracted with banks and MAD2,663 million in overdraft facilities dedicated to the financing of current operations. Cash flows from financing activities were strongly impacted by the increase in payments on current borrowings and by the increase in the cost of net financial debt between 2018 and 2019.

NOTE 13. DIVIDENDS

13.1 Dividends

(in MAD million)	2017	2018	2019
Dividends paid by subsidiaries to their noncontrolling interests			
Total (a)	**918**	**807**	**857**
Dividends paid by Maroc Telecom to its shareholders			
-Kingdom of Morocco	1,677	1,709	1,801
-Société de Participation dans les Télécommunications (SPT)	2,963	3,019	3,182
-Other	950	968	1,020
Total (b)	**5,591**	**5,696**	**6,003**
Total dividends paid (a)+(b)	**6,509**	**6,503**	**6,860**

13.2 Dividend proposed for 2019

Dividends distributed by Maroc Telecom and its subsidiaries to their shareholders increased by 5% compared to 2018. This change reflects the group's efforts to maintain a consistently high level of business activity.

NOTE 14. PROVISIONS

Provisions for contingencies and losses are analyzed as follows :

(in MAD million)	2017	2018	2019
Noncurrent provisions	**570**	**464**	**504**
Provisions for life annuities	17	16	15
Provisions for termination benefits	428	389	345
Provisions for disputes with third parties	94	38	123
Other provisions	32	21	20
Current provisions	**838**	**1,325**	**4,634**
Provisions for voluntary redundancy plan	0	0	
Provisions for employee-related expenses	0	0	
Provisions for disputes with third parties	834	1,268	4,596
Other provisions	4	57	37
Total	**1,408**	**1,789**	**5,137**

Non-current provisions" mainly include provisions for retirement indemnities, provisions for disputes with third parties, provisions for life annuities and non-current tax provisions.

The "current provisions" item mainly include the Moroccan provision for the penalty applied by the regulator, provisions for disputes with third parties and current provisions for taxes.

2019

(in MAD million)	2018	charges	Used	change in scope of consolidation	Translation adjustment	Reversals	Reclassification	2019
Noncurrent provisions	**464**	**108**	**-28**	**39**	**-10**	**0**	**-70**	**504**
Provisions for life annuities	16						-1	15
Provisions for termination benefits	389	13	0	6	-8		-55	345
Provisions for disputes with third parties	38	87	-20	34	-1		-15	123
Other provisions	21	8	-9		0			20
Current provisions	**1,325**	**3574**	**-498**	**241**	**-12**	**0**	**4**	**4,634**
Provisions for voluntary redundancy plan								0
Provisions for employee-related expenses								0
Provisions for disputes with third parties	1,268	3574	-416	241	-11		-59	4,596
Other provisions	57		-82		-1		63	37
Total	**1,789**	**3683**	**-527**	**280**	**-22**	**0**	**-66**	**5,137**

Overall, provisions increase between 2018 and 2019. The increase is explained by a penalty of MAD3.3 billion.

2018

(in MAD million)	2017	charges	Used	change in scope of consolidation	Translation adjustment	Reversals	Reclassification	2018
Noncurrent provisions	**570**	**57**	**-113**	**0**	**-11**	**-13**	**-26**	**464**
Provisions for life annuities	17		-1					16
Provisions for termination benefits	428	46	-59		-9		-17	389
Provisions for disputes with third parties	94	11	-53		-1	-11	-1	38
Other provisions	32				-1	-2	-8	21
Current provisions	**838**	**813**	**-266**	**0**	**-10**	**-53**	**4**	**1,325**
Provisions for voluntary redundancy plan	0							0
Provisions for employee-related expenses	0							0
Provisions for disputes with third parties	834	759	-266		-9	-53	4	1268
Other provisions	4	54			-1			57
Total	**1,408**	**870**	**-379**	**0**	**-20**	**-67**	**-22**	**1,789**

2017

(in MAD million)	2016	charges	Used	change in scope of consolidation	Translation adjustment	Reversals	Reclassification	2017
Noncurrent provisions	**470**	**126**	**-57**		**24**	**-5**	**10**	**570**
Provisions for life annuities	18	-1						17
Provisions for termination benefits	400	43	-45		20		10	428
Provisions for disputes with third parties	28	76	-11		3	-3		94
Other provisions	23	9			1	-2		32
Current provisions	**1,208**	**160**	**-12**		**15**	**-419**	**-115**	**838**
Provisions for voluntary redundancy plan	386					-386		
Provisions for employee-related expenses								
Provisions for disputes with third parties	822	156	-12		15	-33	-115	834
Other provisions		4			0			4
Total	**1,679**	**286**	**-69**	**0**	**39**	**-424**	**-104**	**1,408**

NOTE 15. BORROWINGS AND OTHER FINANCIAL LIABILITIES

15.1. Net cash position

(in MAD million)	2017	2018	2019
Bank loans due in more than one year	4,200	3,475	2,935
Lease obligation at more than 1 year			1,244
Bank loans due in less than one year	2,913	2,748	2,559
Lease obligation at less than 1 year			408
Bank overdrafts	7,977	9,381	11,780
Borrowing and other financial liabilities	**15,090**	**15,605**	**18,926**
Cash and cash equivalents	2,010	1,700	1,483
Cash held in escrow for repayment of bank loans	38	34	94
Net cash position	**-13,042**	**-13,872**	**-17,349**

(in MAD million)	2017	2018	2019
Outstanding debt and accrued interest (a)	15,090	15,605	18,926
Cash assets (b)	2,048	1,733	1,577
Net cash position (b)-(a)	**-13,042**	**-13,872**	**-17,349**

The Group's financial debt increased by 21% compared to 2018. This variation is explained by :

- The application of IFRS 16, which resulted in rental obligations of MAD1,652 million.
- The increase in the subsidiaries' debts for MAD2,045 million, mainly to finance investments and licenses;
- The increase in bank overdrafts in Morocco for MAD2,399 million;

This increase is accompanied by the cash flows below:

- The repayment of the Euro-denominated borrowing facility granted by Etisalat to Maroc Telecom for a total of MAD2,706 million;
- The repayment of financial debt for MAD1,974 million.

15.2. Net cash by maturity

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

2019

(in MAD million)	<1 year	1-5 years	>5 years	Total
Bank loans	2,560	2,469	465	5,494
Lease obligation	408	1,151	93	1,652
Bank overdrafts	11,780			11,780
Borrowing and other financial liabilities	**14,748**	**3,620**	**558**	**18,926**
Cash and cash equivalents	1,483			1,483
Cash held in escrow for repayment of bank loans	94			94
Net cash position	**-13,171**	**-3,620**	**-558**	**-17,349**

2018

(in MAD million)	<1 year	1-5 years	>5 years	Total
Bank loans	2,748	3,433	43	6,223
Lease obligation				
Bank overdrafts	9,381			9,381
Borrowing and other financial liabilities	**12,129**	**3,433**	**43**	**15,605**
Cash and cash equivalents	1,700			1,700
Cash held in escrow for repayment of bank loans	34			34
Net cash position	**-10,396**	**-3,433**	**-43**	**-13,872**

2017

(in MAD million)	<1 year	1-5 years	>5 years	Total
Bank loans	2,913	4,200		7,113
Lease obligation				
Bank overdrafts	7,977			7,977
Borrowing and other financial liabilities	**10,890**	**4,200**	**0**	**15,090**
Cash and cash equivalents	2,010			2,010
Cash held in escrow for repayment of bank loans	38			38
Net cash position	**-8,842**	**-4,200**	**0**	**-13,042**

15.3 Statement of analysis

Company	Borrowing (in MAD million)	Currency	Maturity	2017	2018	2019
Maroc Telecom	Loan ETISALAT	EUR	January-19	1,882	728	
Maroc Telecom	Loan ETISALAT	USD	November-19	1,979	1,979	
Maroc Telecom	Banks, overdrafts IAM	MAD	December-20	7,535	8,118	10,404
Maroc Telecom	IFRS 16	MAD				901
Mauritel	Leasing contracts ZTE 12 site solaire	USD	April-18	1	0	0
Mauritel	Leasing contracts ZTE 50 site solaire	USD	August-19	12	5	0
Mauritel	Loan QNB	MRO	July-19	64	28	0
Mauritel	Mauritel overdraft	MRO	-	73	49	31
Mauritel	IFRS 16	MRO				38
Onatel	Loan AFD1110-1111	EUR	October-18	2	0	0
Onatel	CREDIT SPOT BICIA B ONATEL	FCFA	May-20	86	84	125
Onatel	CREDIT SPOT SGBF ONATEL	FCFA	March-19	43	7	0
Onatel	CREDIT SPOT SGBF ONATEL	FCFA	April-19	86	80	0
Onatel	CREDIT SPOT CBAO ONATEL	FCFA	April-19	51	53	0
Onatel	CREDIT SPOT ORABANK ONATEL	FCFA	May-20		20	25
Onatel	CREDIT SPOT BICIA B ONATEL 2	FCFA	April-19		45	0
Onatel	CREDIT SPOT WBI ONATEL	FCFA	June-20			45
Onatel	CREDIT SPOT UAB ONATEL	FCFA	May-20			45
Onatel	Loan BICIA 2014	FCFA	May-20	86		
Onatel	Loan BICIA 2016	FCFA	May-22	87	68	50
Onatel	Loan CBAO 2015	FCFA	May-21	60	42	25
Onatel	Loan SGBB 2015	FCFA	May-21	60	42	25
Onatel	Loan ORABANK 2019 LTN	FCFA	September-26	0	0	83
Onatel	Loan SGBF 2019 LTN	FCFA	March-26	0	0	166
Onatel	Loan BABF N°E565978/1 2019 LTN	FCFA	March-26	0	0	333
Onatel	Loan BABF N°E593684/1 2019 LTN	FCFA	March-26	0	0	125
Onatel	Loan BABF N°A162934/1 2019 LTN	FCFA	March-26	0	0	125
Onatel	Loan BABF N°E599998/1 2019 LTN	FCFA	March-26	0	0	83
Onatel	Loan CBAO BURKINA 2019 LTN	FCFA	March-26	0	0	150
Onatel	Loan CBAO BENIN 2019 LTN	FCFA	March-26	0	0	33
Onatel	Loan CBAO NIGER 2019 LTN	FCFA	March-26	0	0	33
Onatel	Loan CBAO SENEGAL 2019 LTN	FCFA	March-26	0	0	117
Onatel	Banks, overdrafts Onatel	FCFA	December-19	3	32	40
Onatel	IFRS 16	FCFA				42
Gabon Télécom	Loan AFD	FCFA	December-20	2	2	2
Gabon Télécom	Loan UGB	FCFA	December-20	367	359	182
Gabon Télécom	Loan UGB	FCFA	July-21	166	200	125
Gabon Télécom	Banks, overdrafts GT	FCFA	December-19		35	305
Gabon Télécom	IFRS 16	FCFA				49
Sotelma	Loan DGDP/CFD OP	FCFA	April-20	1	0	0
Sotelma	Loan AFD OE/CML 1026 01 S	FCFA	April-18	2		
Sotelma	Loan DGDP/NKF	FCFA	-	10	0	0
Sotelma	Loan BIM 58 Milliards	FCFA	April-19	871	293	
Sotelma	Loan BIM 10 Milliards	FCFA	October-19	173	97	
Sotelma	Loan DGDP/RASCOM	USD			9	9
Sotelma	Loan BAM 7,5 Milliards	FCFA	February-23			103
Sotelma	Loan BAM 5,5 Milliards	FCFA	February-23			81
Sotelma	Loan BIM 6 Milliards	FCFA	November-21			100
Sotelma	Loan BDM 10 Milliards	FCFA	August-21			145
Sotelma	Loan ECO 14 Milliards	FCFA	September-21			202
Sotelma	Loan BAM 13 Milliards	FCFA	December-19		219	0
Sotelma	IFRS 16	FCFA				38
Sotelma	Banks, overdrafts Sotelma	FCFA	-	7	272	289
Casanet	IFRS 16	MAD				2
Moov CDI	Loan SIB	EUR	August-20	182	209	268
Moov CDI	BANQUE ATLANTIQUE COTE D'IVOIRE	FCFA	April-23	150	417	524
Moov CDI	SIB ICNE	FCFA	January-24		3	26
Moov CDI	BOA	FCFA	June-20		117	115
Moov CDI	ECOBANK	FCFA	June-20		50	131
Moov CDI	Banks, overdrafts CDI	FCFA	-		200	121
Moov CDI	IFRS 16	FCFA				343
Moov Bénin	Loans BABE	FCFA	January-19	63	19	0
Moov Bénin	Loan CAA pour construction câble ACE	FCFA	April-20	23	22	18
Moov Bénin	Banks, overdrafts Moov Bénin	FCFA	January-19		104	151
Moov Bénin	IFRS 16	FCFA				53
Moov Togo	Loan ECOBANK	FCFA	December-24		156	98
Moov Togo	BANQUE ATLANTIQUE TOGO	FCFA	May-24	187	177	236
Moov Togo	BANQUE ATLANTIQUE TOGO	FCFA	December-21	97		0
Moov Togo	ECOBANK TOGO 2	FCFA		26		0
Moov Togo	CREDIT DE TRESORERIE BOA	FCFA	September-19		43	0
Moov Togo	BIA TOGO	FCFA	December-24		250	219
Moov Togo	Banks, overdrafts Togo	FCFA	December-20	101	263	278
Moov Togo	IFRS 16	FCFA				18
Moov Niger	Loan ECOBANK AT Niger	FCFA	March-18	111		
Moov Niger	Banks, overdrafts Niger	FCFA	-	68		
Moov Niger	CMT BOA	FCFA	March-22		87	63
Moov Niger	Overdraft BOA	FCFA	June-21	104	11	18
Moov Niger	Overdraft ECOBANK	FCFA	June-19	35	21	37
Moov Niger	Overdraft CBAO	FCFA	December-21	15	53	65
Moov Niger	Loan CBAO 1	FCFA	April-20	13	7	4
Moov Niger	Loan CBAO 2	FCFA	May-20	24	11	5
Moov Niger	Loan CBAO 3	FCFA	September-20	42	15	15
Moov Niger	CMT BAN	FCFA	October-28	85	183	127
Moov Niger	CMT BOA 15 Mds	FCFA				23
Moov Niger	CMT 13 Mds	FCFA				19
Moov Niger	CMT BAN 5MDS	FCFA	December-22			40
Moov Niger	CMT BOA 15 MDF	FCFA	December-27			223
Moov Niger	Loan CBAO 13 MDFCA	FCFA	November-29			194
Moov Niger	ORABANK	FCFA			3	17
Moov Niger	Overdraft CBAO 2	FCFA			217	17
Moov Niger	IFRS 16	FCFA				97
Moov RCA	BANQUE POPULAIRE MAROCO	FCFA	September-22	49	39	32
Moov RCA	POOL BPMC-CBCA	FCFA	March-24		56	48
Moov RCA	Loan DPA ERICSSON	USD	January-20	2	2	2
Moov RCA	Banks, overdrafts RCA	FCFA	-	4	3	8
TIGO	IFC	FCFA	August-19			526
TIGO	IFRS 16	FCFA				73
Total borrowing and other financial				**15,090**	**15,605**	**18,926**

NOTE 16. TRADE ACCOUNTS PAYABLE

(in MAD million)	2017	2018	2019
Trade payables and related accounts	16,265	14,442	13,807
Accruals	2,370	2,798	2,860
Other payables	6,992	6,855	7,127
Total	**25,627**	**24,095**	**23,794**

Trade payables and related accounts include amounts due for the acquisition of fixed assets and trade receivables – advances and deposits on orders in progress.

In 2019, operating debts are slightly lower. Other operating liabilities mainly comprise tax liabilities (excluding corporate income tax) for MAD4,358 million.

NOTE 17. REVENUES

(in MAD million)	2017	2018	2019
Morocco	20,481	21,414	21,690
International	15,733	16,041	16,095
Elimination of transactions between the parent company and subsidiaries	-1,250	-1,423	-1,268
Total consolidated revenues	**34,963**	**36,032**	**36,517**

At the end of December 2019, Maroc Telecom group consolidated revenues totaled MAD36,517 million, up 1.3% compared with the end of December 2018. The group's growth was driven by the increase in revenues in Morocco (+1.3%).

NOTE 18. COST OF SALES

(in MAD million)	2017	2018	2019
Cost of handsets	659	683	622
Domestic and international interconnection charges	4,090	4,040	3,550
Other cost of sales	1,188	1,287	1,499
Total	**5,937**	**6,011**	**5,670**

The cost of purchasing terminals comes mainly from Morocco. Domestic and international interconnection charges decreased due to the reduction in call terminations in the subsidiaries.

Other purchases consumed" refers to purchases of energy (fuel and electricity) and top-up cards.

NOTE 19. PAYROLL COSTS

(in MAD million)	2017	2018	2019
Wages	2,654	2,472	2,617
Payroll taxes	484	419	481
Wages and taxes	**3,138**	**2,891**	**3,098**
Payroll costs	**3,138**	**2,891**	**3,098**
Average headcount (in number of employees)	**11,022**	**10,714**	**10,606**

This item includes the payroll costs for the fiscal year (wages, payroll taxes, training costs) but excludes employee severance plan costs, which were recognized as other operating expenses.

In 2019, the 7.2% increase in personnel costs is partly through the inclusion of the Millicom Chad subsidiary in the scope of consolidation.

NOTE 20. TAXES, DUTIES, AND FEES

(in MAD million)	2017	2018	2019
Taxes and duties	873	772	951
Fees	1,964	2,046	2,231
Total	**2,838**	**2,818**	**3,183**

Royalties include amounts owed to telecom regulatory agencies in Morocco and internationally.

The overall level of taxes and fees increased by 13% between 2018 and 2019. This increase is explained by the outcome of tax audits at the level of certain subsidiaries.

NOTE 21. OTHER OPERATING INCOME AND EXPENSES

(in MAD million)	2017	2018	2019
Communication	822	825	800
Commissions	1,845	1,946	2,035
Other including:	**3,517**	**3,151**	**2,774**
Rental expenses	852	903	429
Maintenance, repair, and property-service charges	1,020	1,027	1,032
Fees	763	850	887
Postage and banking service	149	141	136
Voluntary redundancy plan	620	11	9
Other	113	219	281
Total	**6,183**	**5,923**	**5,610**

In 2019, other operating income and expenses decreased by 5%. This change is particularly due to the significant decrease in rental expenses, a natural consequence of the adoption of IFRS 16.

Other" mainly includes operating foreign exchange gains and losses, transfers of operating expenses and capital gains and losses on disposals of fixed assets.

NOTE 22. DEPRECIATION, IMPAIRMENT AND PROVISIONS

The following table sets out changes in this item for the fiscal years ended December 31, 2017, 2018, and 2019:

(in MAD million)	2017	2018	2019
Depreciation and impairment of fixed assets	6,610	6,821	7,419
Net provisions and impairment	-54	516	3,305
Total	**6,557**	**7,337**	**10,724**

Net amortization, impairment and provisions amounted to MAD10,724 million at the end of December 2019, compared with MAD7,337 million at the end of December 2018. This change is due to the provisioning of a MAD3,300 million mandated by the regulator in Morocco and the increase in fixed assets, which led to an increase in depreciation and amortization of fixed assets of MAD598 million between 2018 and 2019.

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, 2017, 2018, and 2019:

(in MAD million)	2017	2018	2019
Other intangible assets	1,300	1,273	1,368
Building and civil engineering	286	281	306
Technical plant and pylons	4,690	4,939	5,048
Other property, plant, and equipment	334	328	285
Right to use assets			412
Total	**6,610**	**6,821**	**7,419**

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, 2017, 2018, and 2019:

(in MAD million)	2017	2018	2019
Impairment of trade receivables	178	153	66
Impairment of inventories	-22	-21	-12
Impairment of other receivables	22	21	39
Provisions	-232	363	3,213
Net charges and reversals	**-54**	**516**	**3,305**

NOTE 23. INCOME FROM EQUITY AFFILIATES

No equity interest was accounted for by the equity method in 2017, 2018, or 2019.

NOTE 24. NET FINANCIAL INCOME OR EXPENSE

24.1 Borrowing costs

(in MAD million)	2017	2018	2019
Income from cash and cash equivalents	6	3	2
Interest expense on loans	-497	-527	-681
Interest expense on rental obligation			-76
Net borrowing costs	**-491**	**-524**	**-754**

Cost of net debt includes interest expense on borrowings less income from cash and cash equivalents (investment income). Since January 1, 2019, following the adoption of the new IFRS 16 standard, this indicator also includes interest expense on rental obligations. Nevertheless, interest expense on borrowings represents the largest portion of the cost of net debt (90%).

Interest expense on borrowings increased by 29%. This variation is due to the increase in the Group's financial debt, including the debt of the subsidiary Tigo Chad.

24.2 Other financial income and expense

(in MAD million)	2017	2018	2019
Foreign-exchange gains and losses	5	64	13
Other financial income (+)	84	149	55
Other financial expenses (-)	-89	-115	-106
Other financial income and expenses	**-1**	**99**	**-38**

Other financial income consists mainly of interest income on loans and income from non-consolidated investments.

Other financial expenses decreased by MAD9 million. The Morocco segment accounted for 64% of the Group's financial expenses.

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, 2017, 2018, and 2019:

(in MAD million)	2017	2018	2019
Income tax expense	3,199	3,591	3,972
Deferred tax	-2	40	-60
Provisions for tax	11	45	-82
Current tax	**3,208**	**3,677**	**3,830**
Consolidated effective tax rate*	**33%**	**35%**	**36%**

(in MAD million)	2017	2018	2019
Net earnings	6,579	6,938	3,598
Income tax expense	3,197	3,632	3,912
Provision for tax	11	45	-82
Pretax earnings	**9,787**	**10,615**	**7,428**
Moroccan statutory tax rate	31%	31%	31%
Theoretical income tax expense	3,034	3,291	2,303
Impact of changes in tax rate	-91	-81	-75
Other differences**	265	467	1,602
Effective income tax expense	3,208	3,677	3,830

Other net differences mainly comprise the withholding tax of MAD226 million, income tax reminders and rebates of MAD152 million and items taxed at a reduced rate of MAD124 million. The impact of the provision covering the penalty imposed by the regulator on this item amounted to MAD1,023 million.

***** : Tax expense/pretax earnings.

****** : Other net differences mainly include withholding tax of MAD 266 million of Maroc Telecom.

The deferred tax rates of the Group are as follows:

Entity	The deffered tax rate
Maroc Telecom	31.0%
Casanet	31.0%
Mauritel	25.0%
Onatel	27.5%
Gabon Telecom	30.0%
Sotelma	30.0%
Atlantique Telecom Côte d'Ivoire	30.0%
Etisalat Benin	30.0%
Atlantique Telecom Togo	28.0%
Atlantique Telecom Niger	30.0%
Atlantique Telecom Centrafrique	30.0%
Tigo	35.0%

NOTE 26. NONCONTROLLING INTERESTS

(In MAD million)	2017	2018	2019
Total noncontrolling interests	**873**	**928**	**873**

Minority interests reflect the rights of shareholders other than Maroc Telecom on the earnings of Mauritel, Onatel, Gabon Telecom, Sotelma, AT CDI and AT Togo.

In 2019, minority interests decreased by 6% despite the increase in the group's earnings. This was due to the decrease in earnings of the Group's subsidiaries that are not fully-owned.

NOTE 27. EARNINGS PER SHARE

27.1 Earnings per share

(in MAD million)	2017		2018		2019	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings, Group share	5,706	5,706	6,010	6,010	2,726	2,726
Adjusted net earnings, Group share	5,706	5,706	6,010	6,010	2,726	2,726
Number of shares (millions)	879	879	879	879	879	879
Earnings per share (in MAD)	6.49	6.49	6.84	6.84	3.10	3.10

27.2 Change in the number of shares

(En nombre d'actions)	2017	2018	2019
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

2019

(in MAD million)	Morocco	International	Eliminations	Total groupe Maroc Telecom
Noncurrent assets	37,387	16,817	-2,718	51,485
Current assets	7,582	7,840	-2,057	13,365
Total assets	**44,969**	**24,657**	**-4,775**	**64,851**
Shareholders'equity	15,430	11,960	-11,387	16,003
Noncurrent liabilities	910	6,529	-2,499	4,939
Current liabilities	28,813	17,153	-2,057	43,908
Total shareholders'equity and liabilities	**45,152**	**35,642**	**-15,943**	**64,851**
Acquisitions of PP&E and intangible assets	3,022	3,766		**6,788**

2018

(in MAD million)	Morocco	International	Eliminations	Total groupe Maroc Telecom
Noncurrent assets	36,351	24,654	-12,952	48,053
Current assets	7,776	8,242	-1,939	14,078
Total assets	**44,126**	**32,896**	**-14,891**	**62,131**
Shareholders'equity	18,236	11,146	-9,892	19,490
Noncurrent liabilities	2,217	5,028	-3,060	4,185
Current liabilities	23,674	16,722	-1,939	38,456
Total shareholders'equity and liabilities	**44,126**	**32,896**	**-14,891**	**62,131**
Acquisitions of PP&E and intangible assets	2,749	3,894		**6,655**

2017

(in MAD million)	Morocco	International	Eliminations	Total groupe Maroc Telecom
Noncurrent assets	37,129	24,360	-12,610	48,879
Current assets	7,963	8,135	-2,295	13,803
Total assets	**45,092**	**32,495**	**-14,905**	**62,682**
Shareholders'equity	17,666	11,065	-8,981	19,750
Noncurrent liabilities	2,963	5,680	-3,629	5,014
Current liabilities	24,462	15,750	-2,295	37,918
Total shareholders'equity and liabilities	**45,092**	**32,495**	**-14,905**	**62,682**
Acquisitions of PP&E and intangible assets	4,612	3,643		8,256

28.2 Segment earnings by geographical area

2019

(in MAD million)	Morocco	International	Eliminations	Total groupe Maroc Telecom
Revenues	21,690	16,095	-1,268	**36,517**
Earnings from operations	4,994	3,237	0	**8,231**
Net depreciation and impairment	7,302	3,422		**10,724**
Voluntary redundancy plan		9		**9**

2018

(in MAD million)	Morocco	International	Eliminations	Total groupe Maroc Telecom
Revenues	21,414	16,041	-1,423	**36,032**
Earnings from operations	8,294	3,237	0	**11,052**
Net depreciation and impairment	3,849	2,973		**6,821**
Voluntary redundancy plan	2	9		**11**

2017

(in MAD million)	Morocco	International	Eliminations	Total groupe Maroc Telecom
Revenues	20,481	15,733	-1,250	**34,963**
Earnings from operations	6,760	3,550	0	**10,310**
Net depreciation and impairment	3,826	2,784		**6,610**
Voluntary redundancy plan	579	41		**620**

NOTE 29. RESTRUCTURING PROVISIONS

In 2017, 2018 and 2019, no provision for restructuring was recorded at group level.

NOTE 30. RELATED-PARTY TRANSACTIONS

30.1. Compensation of corporate officers, senior managers, and directors in 2017, 2018, and 2019

(in MAD million)	2017	2018	2019
Short-term benefits (1)	84	96	93
Termination benefits (2)	105	117	117
Total	**189**	**213**	**210**

30.2. Equity affiliates

In 2017, 2018 and 2019 no company is consolidated by the equity method.

30.3. Other related parties

In 2019, Maroc Telecom completed transactions mainly with Emirates Telecommunications Corporation, EDCH, Etihad Etisalat Company (Mobily), and other sister companies as part of its strategic cooperation with the Etisalat group. These various transactions can be summarized as follows:

2019

(in MAD million)	Etisalat	EDCH	Mobily	Autres
Revenues	175	16	0	1
Expenses	39	12	1	1
Receivables	47	85	0	1
Payables	30	62	3	3

2018

(in MAD million)	Etisalat	EDCH	Mobily	Autres
Revenues	201	29	9	1
Expenses	61	10	2	1
Receivables	64	84	6	2
Payables	2,723	58	5	3

2017

(in MAD million)	Etisalat	Atlantique Telecom, S.A	Etisalat Intl Rep. of Benin	Mobily	EDCH	EIN	Excelcommindo
Revenues	139	66	16	6	0	1	0
Expenses	46	3	3	3	1	2	0
Receivables	47	20	11	2	0	1	0
Payables	3,881	10	3	0	8	2	2

(1) Wages and salaries, compensation, incentives and bonuses paid, social security contributions, paid leave and nonmonetary benefits recognized

(2) Severance pay

NOTE 31. CONTRACTUAL COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

31.1. Contractual obligations and commercial commitments recorded in the balance sheet

(in MAD million)	Less than 12 months	1-5 years	>5 years
Long-term debt		3,620	558
Capital lease obligations	37		
Total	**37**	**3,620**	**558**

31.2. Other commitments given and received as part of the current activity

Commitments given

The commitments given include:

(in MAD million)	2017	2018	2019
Commitment given	**6,627**	**3,147**	**8,453**
Investment commitment	*4,719*	*1,499*	*7,293*
Outgoing commitments ans signature with banks	*1,532*	*1,030*	*607*
operating and financinn lease commitments	113	154	37
Sattellite rental commitments	44	34	46
Other commitments	***217***	***427***	***471***
Network maintenance contracts with Ericsson	*183*	*82*	*61*
Commitments on operating exprenses	*34*	*345*	*410*
Other commitments	***2***	***2***	***0***
Recovery of guarantees given by Etisalat on the financing of the Atlantic Subsidiaries	*2*	*2*	*0*
Forward sale commitment	*0*	*0*	

Commitments received

The commitments received include:

(in MAD million)	2017	2018	2019
Commitments received	**1,289**	**1,327**	**1,352**
Guarantees and endorsements	*1,289*	*1,327*	*1,352*
Other commitments received	0	0	0
Forward purchase commitment	0	0	0
Commitment of the Moroccan State to contribute the assets of	0	0	0
***Investissementagreemen** : exemption from customs duties on imports related to investments*	0	0	0

NOTE 32. RISK MANAGEMENT

The Group is exposed to different risks of market related to its activity.

Credit risk:

Maroc Telecom minimizes its credit risk by engaging only in credit transactions with commercial banks or financial institutions with high credit ratings and by spreading transactions among the selected institutions.

Maroc Telecom's receivables do not carry a significant concentration of credit risk, given their significant dilution rate.

Currency risk:

Maroc Telecom Group is exposed to exchange rate fluctuations to the extent that inflows and outflows are in different currencies.

Maroc Telecom receives inflows in foreign currencies in the form of international operator’s revenues, and makes expenditures in foreign currencies in the form of payments to international suppliers (notably, as capital expenditure and when buying terminals) and payments for interconnections with foreign operators. These outflows are mainly denominated in euros.

In Morocco, the proportion of foreign currency disbursements denominated in euros represented 54.7% of total foreign currency disbursements at December 31, 2019, which amounted to MAD3,142 million. Disbursements in foreign currencies are lower than receipts in foreign currencies, which amounted to MAD3,375 million in 2019.

At the international level, the portion of foreign currency disbursements denominated in US dollars represented 4.1% of total foreign currency disbursements at December 31, 2019, which amounted to MAD510 million. These foreign currency disbursements are higher than the amount of foreign currency receipts, which amounted to MAD24.3 million in 2019.

In addition, Maroc Telecom had MAD18,926 million in debt at December 31, 2019, compared with MAD15,605 million at December 31, 2018, denominated mainly in Moroccan dirhams and CFA francs :

(in MAD million)	2017	2018	2019
Euro	2,067	937	268
Moroccan dirham	7,535	8,118	11,307
Other (mainly CFA franc)	5,488	6,550	7,352
Current debt	**15,090**	**15,605**	**18,926**

Maroc Telecom cannot offset its foreign currency disbursements and receipts, as current Moroccan regulations only allow it to retain 80% of its foreign currency telecom revenues in a foreign currency account, the remaining 20% having to be settled in dirhams. Maroc Telecom Group results may therefore be sensitive to fluctuations in exchange rates, particularly in terms of dirham, US dollars or euros.

In 2019, the euro depreciated by 0.77% compared to the Moroccan dirham (from MAD10.9875 at December 31, 2018 to MAD10.9028 for 1 euro at December 31, 2019). Over the same period, the US dollar appreciated by 1.24%, from MAD9,6121 at December 31, 2018 to MAD9,7312 per dollar at December 31, 2019.

The subsidiaries whose accounting currency is the CFA Franc and the Mauritanian subsidiary whose currency is the Ouguiya, increase the Group's exposure to foreign exchange risk, in particular with respect to fluctuations in the exchange rates of the Euro and the Ouguiya against the Moroccan dirham.

However, a 1% depreciation of the Moroccan dirham against the euro would have the following limited impacts on the basis of the Group's 2019 financial statements:

- revenues = + MAD 157 million
- earnings from operations = + MAD 37 million
- net earnings, Group share = + MAD 11 million

At Maroc Telecom, assets in foreign currencies consist mainly of receivables from its subsidiaries and foreign operators. Liabilities in foreign currencies consist mainly of debts to the parent company, suppliers and operators.

Internationally, assets in foreign currencies consist mainly of receivables from foreign operators. The Group’s currency liabilities are made up primarily of payables to foreign suppliers and operators.

Maroc Telecom renewed the cash credit facility granted in foreign currencies to HSBC for an amount of €200 million.

(in MAD million)	Euro /FCFA	USD	MRO	Total Devises étrangères	MAD	Total Bilan
Total assets	34,149	389	1,658	12	28,643	64,851
Total shareholders’ equity and liabilities	-20,037	-864	-1,051	-4	-42,894	-64,851
Net position	**14,112**	**-475**	**607**	**8**	**-14,252**	**0**

The following table shows the Company's net foreign-currency positions in euros and US dollars, and the aggregate of other currencies, at December 31, 2019:

(in million)	Euro (2)	USD (2)	Other currencies (against the euro*) (1)
Assets	1,421	48	1
Liabilities	-415	-48	-9
Net position	1,006	0	-8
Commitments (3)	0	0	0
Aggregate net position	**1,006**	**0**	**-8**

* based on 1 euro = 10.7645 dirhams the Bank-Al Maghrib average rate at Dec.31, 2019.

Liquidity risk:

Maroc Telecom believes that the cash flows generated by its operating activities, its cash position and the funds available through credit lines will be sufficient to cover the expenses and investments necessary for its operations, the servicing of its debt, the distribution of dividends and the external growth operations in progress at December 31, 2019.

Interest-risk:

Maroc Telecom group's debt is mainly at fixed rates. As the proportion of floating-rate debt is relatively low, Maroc Telecom group is not significantly exposed to favorable or unfavorable changes in interest rates.

NOTE 33. EVENTS AFTER THE END OF THE REPORTING PERIOD

33.1 HIGHLIGHTS:

In connection with the referral initiated by Wana in 2016, relating to anti-competitive practices in the fixed-line market and fixed broadband Internet access, a decision of the ANRT's Management Committee dated 01/17/2020 was notified to Itissalat Al-Maghrib S.A. on 27/01/2020.
This enforceable decision relates to a financial penalty of MAD3.3 billion and injunctions relating to the technical and pricing aspects of unbundling.
Given the recent, complex and exceptional nature of the decision received, the case is still being analyzed by Itissalat Al-Maghrib S.A.
As provided by law, Itissalat Al-Maghrib S.A. also reserves the right to appeal to the Court of Appeal within 30 days of notification of the decision.
In this context and in accordance with IAS 37, Maroc Telecom recorded a provision in its financial statements at December 31, 2019 in the amount of MAD3.3 billion.

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(1) Other currencies are mainly the Japanese yen (YEN), Swiss franc (CHF) and Swedish krona (SEK).
(2) The foreign-currency position in euros and in dollars is calculated by applying, to receivables and debts expressed in Special Drawing Rights (SDR) of foreign operators at December 31, 2018, the proportion per currency of inflows in 2018.
(3) For the balance of commitments owed on contracts in progress, the breakdown by currency corresponds to the actual remaining part of the contracts signed.

NOTE 34: IFRS 16 AT DECEMBER 31, 2019

34.1 Right of use:

(In millions MAD)	Carrying value	Entry of assets	Depreciation/Amortization
Land	977	104	-142
Buildings	372	185	-119
Technical facilities	756	422	-151
Transportation equipment	2	2	-1
Office equipment			
Other assets			
Total	**2,107**	**712**	**-412**

34.2 Rental obligation:

	2019
Lease-related payments	473

34.3 Expenses from contracts outside the scope of IFRS 16 :

	2019
Leases with term ≤12 months	396
Leases with low underlying asset value	34
Leases with variable payments	
Leases with no presumed control of occupancy right	

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

We have audited the accompanying consolidated financial statements of ITISSALAT Al MAGHRIB (IAM) S.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31st, 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. These consolidated financial statements show an amount of consolidated equity of MMAD 16,003 including earnings attributable to equity holders of the parent of MMAD 2,726.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU). 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Moroccan Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements 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 31st, 2019, and the financial performance and cash flows for the fiscal year then ended, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Without qualifying our audit opinion, expressed above, we draw your attention to the note 33, which sets out the treatment of ANRT decision in the accompanying financials statements as at 31 December 2019.

Casablanca, February 14th, 2020

The Statutory auditors

DELOITTE AUDIT

French original sign by

Sakina Bensouda-Korachi

Partner

ABDELAZIZ ALMECHATT

French original signed by

Abdelaziz Almechatt

Partner

4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4. CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2017, 2018 AND 2019

BILAN

ASSETS (in MAD thousands)	GROSS	EXERCICE Amortization and provisions	NET	PREVIOUS EXERCICE NET 12/31/2018
CAPITALIZED COSTS (A)	**0**	**0**	**0**	**0**
.Start-up costs	**0**	**0**	**0**	**0**
.Deferred costs	**0**	**0**	**0**	**0**
.Bond redemption premiums	**0**	**0**	**0**	**0**
INTANGIBLE ASSETS (B)	**12,543,854**	**10,238,535**	**2,305,319**	**2,340,165**
.Research and development costs	0	0	0	0
.Patents, trademarks, and similar rights	12,055,320	10,168,681	1,886,639	1,999,535
.Goodwill	70,717	69,853	864	2,933
.Other intangible assets	417,816	0	417,816	337,697
PROPERTY, PLANT, AND EQUIPMENT (C)	**71,812,207**	**54,123,886**	**17,688,321**	**18,430,398**
.Land	955,383	0	955,383	955,370
.Buildings	7,889,346	5,083,200	2,806,147	2,828,809
.Technical plant, machinery, and equipment	55,944,115	44,304,208	11,639,908	11,840,471
.Vehicles	274,309	66,279	208,030	223,353
.Office equipment, furniture, and fittings	4,849,489	4,416,778	432,710	462,427
.Other property, plant, and equipment	11,048	0	11,048	11,048
.Work in progress	1,888,517	253,421	1,635,097	2,108,920
FINANCIAL ASSETS (D)	**13,600,676**	**179,078**	**13,421,598**	**12,506,455**
.Long-term loans	1,779,880	0	1,779,880	2,369,330
.Other financial receivables	4,084	0	4,084	4,223
.Equity investments	11,816,712	179,078	11,637,634	10,132,903
.Other investments and securities	0	0	0	0
UNREALISED FOREIGN EXCHANGE LOSSES (E)	**21,017**	**0**	**21,017**	**18,725**
.Decrease in long-term receivables	21,017	0	21,017	6,294
.Increase in long-term debt	0	0	0	12,432
TOTAL I (A+B+C+D+E)	**97,977,755**	**64,541,499**	**33,436,256**	**33,295,745**
INVENTORIES (F)	**309,578**	**136,487**	**173,090**	**218,209**
.Merchandise	189,477	88,521	100,956	158,775
.Raw materials and supplies	120,101	47,966	72,135	59,434
.Work in progress	0	0	0	0
.Intermediary and residual goods	0	0	0	0
.Finished goods	0	0	0	0
CURRENT RECEIVABLES (G)	**15,726,224**	**8,225,504**	**7,500,720**	**7,266,627**
.Trade payables, advances and deposits	11,112	0	11,112	13,102
.Accounts receivable and related accounts	14,107,448	7,903,461	6,203,987	5,818,969
.Employees	14,402	0	14,402	4,369
.Tax receivable	449,251	0	449,251	385,359
.Shareholders' current accounts	0	0	0	0
.Other receivables	1,123,285	322,043	801,242	689,817
.Accruals	20,725	0	20,725	355,009
MARKETABLE SECURITIES (H)	**129,922**	**0**	**129,922**	**128,806**
UNREALIZED FOREIGN EXCHANGE LOSSES (I) (current items)	51,786	0	51,786	64,763
TOTAL II (F+G+H+I)	**16,217,509**	**8,361,992**	**7,855,517**	**7,678,405**
CASH AND CASH EQUIVALENTS	**213,687**	**0**	**213,687**	**397,735**
.Checks	0	0	0	0
.Bank deposits	211,289	0	211,289	394,833
.Petty cash	2,398	0	2,398	2,903
TOTAL III	**213,687**	**0**	**213,687**	**397,735**
GRAND TOTAL I+II+III	**114,408,951**	**72,903,490**	**41,505,461**	**41,371,885**

SS

SHAREHOLDERS' EQUITY AND LIABILITIES (in MAD thousands)		EXERCICE	EXERCICE NET 12/31/2018
SHAREHOLDERS' EQUITY	**(A)**	**13,224,863**	**15,968,628**
Share capital (1)		5,274,572	5,274,572
Less: capital subscribed and not paid-in		0	0
Paid-in capital		0	0
Additional paid-in capital		0	0
Revaluation difference		0	0
Statutory reserve		879,095	879,095
Other reserves		3,811,903	3,514,240
Retained earnings (2)		0	0
Unallocated income (2)		0	0
Net income of the year (2)		3,259,293	6,300,721
QUASI-EQUITY	**(B)**	**0**	**0.00**
Investment subsidies		0	0
Regulated provisions		0	0
DEBENTURE BONDS	**(C)**	**6,874**	**2,713,506**
Debenture bonds		0	0
Other long-term debt		6,874	2,713,506
PROVISIONS	**(D)**	**35,414**	**34,190**
Provisions for contingencies		21,017	18,725
Provisions for losses		14,396	15,465
UNREALIZED FOREIGN EXCHANGE GAINS	**(E)**	**0.00**	**92**
Increase in long-term receivables		0	92
Decrease in long-term debt		0	0
	TOTAL I (A+B+C+D+E)	**13,267,151**	**18,716,416**
CURRENT LIABILITIES	**(F)**	**13,213,682**	**13,136,149**
Accounts payable and related accounts		7,111,716	6,874,507
Trade receivables, advances and down payments		82,480	140,135
Payroll costs		1,059,639	1,024,899
Social security contributions		88,424	76,358
Tax payable		2,790,460	3,042,619
Shareholders' current accounts		1	1
Other payables		470,581	489,036
Accruals		1,610,381	1,488,593
OTHER PROVISIONS FOR CONTINGENCIES AND LOSSES	**(G)**	**4,747,496**	**1,495,110**
UNREALIZED FOREIGN EXCHANGE GAINS (Current items)	**(H)**	**38,685**	**34,519**
	Total II (F+G+H)	**17,999,863**	**14,665,778**
BANK OVERDRAFTS		**10,238,446**	**7,989,691**
Discounted bills		0	0
Treasury loans		0	0
Bank loans and overdrafts		10,238,446	7,989,691
	Total III	**10,238,446**	**7,989,691**
GRAND TOTAL I+II+III		**41,505,461**	**41,371,885**

STATEMENT OF COMPREHENSIVE INCOME (EXCLUSIVE OF VAT)

(in MAD thousands)	*OPERATIONS* *2018*	*2019*	*TOTALS* *YEAR-END*	*TOTALS* *12/31/2018*
I- OPERATING INCOME	21,422,198	-	21,422,198	21,376,576
Sales of goods	350,898	-	350,898	371,786
Sales of manufactured goods and services rendered	20,628,008	-	20,628,008	20,362,272
Operating revenues	20,978,906	-	20,978,906	20,734,058
Change in inventories	-	-	-	-
Company-constructed assets	-	-	-	-
Operating subsidies	-	-	-	-
Other operating income	27,715	-	27,715	35,534
Operating write-backs: expense transfers	415,577	-	415,577	606,984
TOTAL I	**21,422,198**	**-**	**21,422,198**	**21,376,576**
II- OPERATING EXPENSES	13,291,437	-	13,291,437	13,982,259
Cost of goods sold	568,844	-	568,844	637,577
Raw materials and supplies	3,379,494	-	3,379,494	3,598,477
Other external expenses	2,751,695	-	2,751,695	2,733,310
Taxes (except corporate income tax)	228,309	-	228,309	245,161
Payroll, costs	2,182,623	-	2,182,623	1,940,240
Other operating expenses	2,540	-	2,540	2,540
Operating allowances for amortization	3,564,746	-	3,564,746	3,603,662
Operating allowances for provisions	613,187	-	613,187	1,221,293
TOTAL II	**13,291,437**	-	**13,291,437**	**13,982,259**
III- OPERATING INCOME I-II		-	**8,130,761**	**7,394,317**
IV- FINANCIAL INCOME	1,580,551	-	1,580,551	1,773,962
Income from equity investments and other financial investments and other financial investments	958,413	-	958,413	1,004,118
Foreign exchange gains	320,649	-	320,649	414,527
Interest and other financial income	213,522	-	213,522	239,713
Financial write - backs: expense transfers	87,967	-	87,967	115,603
TOTAL IV	**1,580,551**	-	**1,580,551**	**1,773,962**
VI- FINANCIAL EXPENSES IV - V	637,364	-	637,364	677,641
Interest and loans	295,455	-	295,455	268,763
Foreign exchange losses	268,811	-	268,811	306,796
Other financial expenses	295	-	295	2,184
Financial allowances	72,803	-	72,803	99,897
TOTAL V	**637,364**	-	**637,364**	**677,641**
VI- FINANCIAL INCOME IV - V			**943,187**	**1,096,321**
VII- ORDINARY INCOME III + VI			**9,073,947**	**8,490,638**
VIII- EXTRAORDINARY INCOME	546,076	1,352.50	546,077	556,261
Proceeds from disposal of fixed assets	7,493	-	7,493	13,310
Subsidies received	0	-	0	0
Write-backs of investment subsidies	0	-	0	0
Other extraordinary income	234,830	1,352.50	234,831	296,811
Extraordinary write-backs: expense transfers	303,753	-	303,753	246,141
TOTAL VIII	**546,076**	**1**	**546,077**	**556,261**
IX- EXTRAORDINARY EXPENSES	3,970,655	1,562	3,972,217	371,607
Net book value of disposed assets	30,020	0	30,020	2,780
Subsidies granted	0	0	0	0
Other extraordinary expenses	223,747	1,562	225,309	13,337
Regulated provisions	0	0	0	0
Extraordinary allowances for depreciation and provisions	3,716,888	0	3,716,888	355,489
TOTAL IX	**3,970,655**	**1,562**	**3,972,217**	**371,607**
X- EXTRAORDINARY INCOME VIII - IX			**-3,426,140**	**184,655**
XI- INCOME BEFORE TAX VII + X			**5,647,807**	**8,675,292**
XII- CORPORATE INCOME TAX			**2,388,514**	**2,374,572**
XIII- NET INCOME XI - XII			**3,259,293**	**6,300,721**
XIV- TOTAL INCOME (I+IV+VIII)			**23,548,826**	**23,706,798**
XV- TOTAL EXPENSES (II+V+IX+XII)			**20,289,533**	**17,406,078**
XVI- NET INCOME (total income - Total expenses)			**3,259,293**	**6,300,721**

The presentation guidelines and valuation methods used in preparing these documents comply with the rules and regulations in force.

The table below summarizes the trends of the main financial indicators of Maroc Telecom over the last three fiscal years:

in MAD million	2017	2018	2019	Variation 19/18
Revenues	19,900	20,734	**20,979**	**1.2%**
Operating income	6,676	7,394	**8,131**	**10.0%**
Financial income	1,006	1,096	**943**	**-14.0%**
Income tax expense	-1,966	-2,375	**-2,389**	**0.6%**
Non-current income	-17	185	**-126**	**-168.3%**
Net income	5,699	6,301	**6,559**	**4.1%**
Investments	4,481	2,646	**2,903**	**9.7%**

Key elements of the income statement

Revenues

Maroc Telecom's revenues in 2019 amounted to MAD 20,979 million, an increase of 1.2% compared with 2018.

Operating income and net income

Operating income at December 31, 2019 stood at MAD 8,131 million, up 10% compared with 2018. This improvement is mainly explained by growth in revenues, and control over operating expenses.

Net financial income was down by 14% to MAD 943 million compared with MAD 1,096 million in 2018. This change is mainly explained by exchange rate fluctuations, increased interest charges and lower revenues from subsidiaries (dividends and interest on shareholder loans).

With before-tax income of MAD 8,948 million and corporation tax of MAD 2,389 million, net profit amounted to MAD 6,559 million, an increase of 4.1%.

It should be noted that the 2019 result includes the expense relating to the social support and cohesion contribution, which was introduced by the 2019 Finance Act, and amounted to MAD 204 million.

Balance sheet

At December 31, 2019, the balance sheet total stood at MAD 41,505 million, representing an increase of 0.3% compared with the previous fiscal year.

Assets and their compenents

(Assets in MAD million)	NET			Change 19/18
	2017	2018	2019	
Nil-value non-current assets	0	0	0	0.0%
Intangible assets	2,472	2,340	2,305	-1.5%
Property, plant and equipment	19,368	18,430	17,688	-4.0%
Long-term investments	12,387	12,506	13,422	7.3%
Translation difference - loss	54	19	21	12.2%
Total net non-current assets	**34,281**	**33,296**	**33,436**	**0.4%**
Current assets	**7,725**	**7,678**	**7,856**	**2.3%**
Cash assets	**498**	**398**	**214**	**-46.3%**
Total assets	**42,503**	**41,372**	**41,505**	**0.3%**

Net non-current assets at December 31, 2019, amounted to MAD 33,436 million, compared with MAD 33,296 million in the previous fiscal year. These assets represented 81% of total assets, an increase of 0.4% compared with 2018.

Intangible assets amounted to MAD 2,305 million in 2019, compared with MAD 2,340 million in 2018.

Property, plant and equipment decreased by 4% from MAD 18,430 million in 2018 to MAD 17,688 million in 2019.

Long-term investments amounted to MAD 13,422 million in 2019, compared with MAD 12,506 million in 2018. This change was principally due to the acquisition of Tigo Chad for the amount of MAD 1,175 million.

Current assets, excluding investments (with the exception of the share price regulation), came to MAD 7,856 million in 2019, compared with MAD 7,678 million in 2018, i.e. an increase of 2.3% which was mainly due to an increase in receivables.

Net cash, including investments (with the exception of the share price regulation) amounted to MAD -10,025 million at December 31, 2019, compared with a MAD -7,592 million balance at December 31, 2018. This change in net cash is mainly explained by the payment of the final tranche for the acquisition of the Alysse subsidiaries in the amount of MAD 728 million, the repayment of the loan for financing investments by subsidiaries, amounting to MAD 2 billion, and the financing of subsidiary operations (acquisition of securities, recapitalization and loans) amounting to MAD 1.2 billion.

Liabilities and their components

(Liabilities in MAD million)	NET			Change 19/18
	2017	2018	2019	
Net assets	15,364	15,969	16,525	3.5%
including net profit for the fiscal year	5,699	6,301	6,559	4.1%
Financial borrowings	3,868	2,714	7	-99.7%
Long-term provisions for risks and losses	70	34	35	3.6%
Translation difference - profit	36	0	0	-
Total permanent funds	**19,338**	**18,716**	**16,567**	**-11.5%**
Current liabilities	**15,764**	**14,666**	**14,700**	**0.2%**
Cash liabilities	**7,401**	**7,990**	**10,238**	**28.1%**
Total liabilities	**42,503**	**41,372**	**41,505**	**0.3%**

Given the profit for the fiscal year of MAD 6,559 million, net assets at December 31, 2019, stood at MAD 16,525 million, compared with MAD 15,969 million in 2018.

Financial borrowings amounted to MAD 6.9 million at December 31, 2019, compared with MAD 2,714 million in 2018. This change is explained by the repayment of the outstanding amount of the acquisition cost of the Alysse subsidiaries, amounting to MAD 728 million, and the repayment of the MAD 1,979 million loan granted to Maroc Telecom by Etisalat group in order to finance investments by these subsidiaries.

At December 31, 2019, current liabilities amounted to MAD 14,700 million, compared with MAD 14,666 million in 2018.

STATUTORY AUDITORS' GENERAL REPORT

YEAR ENDED DECEMBER 31, 2019

To shareholders of Itissalat Al-Maghrib « IAM » SA

Avenue Annakhil, Hay Riad - Rabat, Maroc

In accordance with the terms of our appointment by the General meetings, we have audited the accompanying financial statements of ITISSALAT AL-MAGHRIB (IAM) S.A., including the statement of financial position, the statement of comprehensive income, the statement of operating data, the statement of cash flows, and the additional disclosures, concerning the year ended December 31, 2019. These financial statements show shareholders' equity and reserves of MAD 13,224,863 thousand and net profit of MAD 3,259,293 thousand.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for preparing these financial statements to give a true and fair view of the Company, in accordance with the accounting standards generally accepted in Morocco. This responsibility includes planning, implementing, and monitoring internal controls relating to the preparation and presentation of financial statements that are free of material misstatement, and selecting accounting estimates that are appropriate to 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 us to comply with a Code of Ethics and to plan and perform the audit in order to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves implementing procedures in order to gather information about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditors' judgment, including the assessment of risk that the financial statements could contain material misstatements. In assessing such risk, 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 financial statements referred to in the first paragraph above give a true and fair view of ITISSALAT ALMAGHRIB (IAM) S.A.'s assets, liabilities, and financial position at December 31, 2019, and of its operations for the year then ended, in accordance with the accounting principles generally accepted in Morocco.

Without qualifying our audit opinion, expressed above, we refer to the statement C5, which sets out the treatment of ANRT decision in the accompanying financials statements as at 31 December 2019.

SPECIFIC CONTROLS AND INFORMATION

We have also performed the specific verifications required by law. In particular, we ensured that the information contained in the Management Board's report to the Shareholders was consistent with the Company's financial statements.

ITISSALAT AL-MAGHRIB has acquired, on June 26, 2019 100% of the capital of the Chadian operator Millicom Tchad S.A. for an amount of MAD 1,175,334 thousand, and created MT CASH subsidiary (100%) for a share capital of MAD 10,000 thousand.

Casablanca, February 14th, 2020

The Statutory Auditors

DELOITTE AUDIT	**ABDELAZIZ ALMECHATT**
French original signed by	French original signed by
Sakina Bensouda-Korachi	Abdelaziz Almechatt
Partner	Partner

MAROC TELECOM
Itissalat Al Maghrib
Société Anonyme à Directoire
et conseil de surveillance
au capital de 5 274 572 040 dirhams
RC 48 947
Siège social
Avenue Annakhil, Hay Riad Rabat, Maroc