FINANCIAL REPORT
2018

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1. CONSOLIDATED 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, 2016, 2017, and 2018, 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)	2016	2017	2018
Revenues	**35,252**	**34,963**	**36,032**
Operating expenses	24,784	24,653	24,980
Earnings from operations	**10,468**	**10,310**	**11,052**
Earnings from continuing operations	10,421	10,278	11,040
Net earnings	**6,628**	**6,579**	**6,938**
Attributable to equity holders of the parent	5,598	5,706	6,010
Earnings per share (in MAD)	**6.37**	**6.49**	**6.84**
Diluted earnings per share (in MAD)	6.37	6.49	6.84

Statement of financial position

ASSETS (in MAD million)	2016	2017	2018
Non-current assets	46,322	48,879	48,053
Current assets	14,974	13,803	14,078
Total assets	**61,296**	**62,682**	**62,131**

SHAREHOLDERS' EQUITY AND LIABILITIES (in MAD million)	2016	2017	2018
Share capital	5,275	5,275	5,275
Shareholders'equity, attributable to equity holders of the	15,476	15,835	15,668
Non-controlling interests	3,822	3,916	3,822
Shareholders'equity	19,298	19,750	19,490
Non-current liabilities	5,402	5,014	4,185
Current liabilities	36,596	37,918	38,456
Total Shareholders' equity and liabilities	**61,296**	**62,682**	**62,131**

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	2016	2017	2018
The closing rate at the balance sheet	10.6284	11.2012	10.9503
Average rate used for the income statement	10.8505	10.9257	11.0936

The above table shows the average dirham/euro conversion rates used in preparing the financial statements for fiscal years 2016, 2017 and 2018.

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 2016, 2017 and 2018.

Statement of comprehensive income

(In € millions)	2016	2017	2018
Revenues	**3,249**	**3,200**	**3,248**
Cost of purchases	2,284	2,256	2,252
Earnings from operations	**965**	**944**	**996**
Earnings from continuing operations	960	941	995
Net earnings	**611**	**602**	**625**
Attributable to equity holders of parent	516	522	542
Earnings per share (in Euro)	**0.59**	**0.59**	**0.62**
Diluted earnings per share (in Euro)	0.59	0.59	0.62

Statement of financial position

ASSETS (In € millions)	2016	2017	2018
Non-current assets	4,358	4,364	4,388
Current assets	1,409	1,232	1,286
TOTAL ASSETS	**5,767**	**5,596**	**5,674**

SHAREHOLDERS' EQUITY AND LIABILITIES (In € millions)	2016	2017	2018
Share capital	496	471	482
Shareholders'equity, attributable to equity holders of the	1,456	1,414	1,431
Non-controlling interests	360	350	349
Shareholders'equity	1,816	1,763	1,780
Non-current liabilities	508	448	382
Current liabilities	3,443	3,385	3,512
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5,767**	**5,596**	**5,674**

2. OVERVIEW

2.1 SCOPE OF CONSOLIDATION

2.2 COMPARISON OF RESULTS BY GEOGRAPHICAL AREA

2.3 TRANSITION FROM SEPARATE FINANCIAL STATEMENTS TO CONSOLIDATED FINANCIAL STATEMENTS

2. OVERVIEW

The discussion and analysis that follow should be read in conjunction with the entire document, particularly with the audited consolidated financial statements that comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity, and the notes to the financial statements for the years ended December 31, 2016, 2017, and 2018.

2.1 SCOPE OF CONSOLIDATION

At December 31, 2018, Maroc Telecom consolidated in its financial statements the entities:

Mauritel

Maroc Telecom acquires 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.

Prestige Telecom Côte d'Ivoire

On January 26, 2015, Maroc Telecom acquired 100% of the capital of Prestige Telecom, the IT provider for the Atlantique Telecom subsidiaries. Prestige Telecom has been fully consolidated in the financial statements of Maroc Telecom since January 31, 2015.

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 GEOGRAPHICAL AREA

Results by geographical area are as follows:

IFRS in MAD million	2017	2018	Change	Change at constant exchange rates(1)
Revenues	**34,963**	**36,032**	**+3.1%**	**+2.6%**
EBITDA	**17,160**	**17,856**	**+4.1%**	**+3.7%**
Margin (%)	*49.1%*	*49.6%*	*+0.5 pt*	*+0.5 pt*
Adjusted EBITA	**10,553**	**11,052**	**+4.7%**	**+4.5%**
Margin (%)	*30.2%*	*30.7%*	*+0.5 pt*	*+0.6 pt*
Group share of adjusted net income	**5,871**	**6,005**	**+2.3%**	**+2.4%**
Margin (%)	*16.8%*	*16.7%*	*-0.1 pt*	*-0.0 pt*
CAPEX(2)	**8,232**	**6,643**	**-19.3%**	**-19.9%**
Of which frequencies & licenses	*217*	*719*		
CAPEX/revenues (excluding frequencies & licenses)	*22.9%*	*16.4%*	*-6.5 pt*	*-6.5 pt*
Adjusted CFFO	**11,019**	**9,982**	**-9.4%**	**-9.5%**
Net debt	**13,042**	**13,872**	+6.4%	*+6.0%*
Net debt/EBITDA	0.8x	0.8x		

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

2.2.1 Comparison of financial data for fiscal years 2018 and 2017

2.2.1.1 Group Consolidated results

Revenues

Maroc Telecom Group's consolidated revenues[3] 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)[4] 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)[5] amounted to MAD 9,982 million, down 9.4% year-on-year.

As of December 31, 2018, consolidated Maroc Telecom Group net debt[6] 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.

Dividends

The Supervisory Board of Maroc Telecom will propose to the general shareholder’s meeting on April 23, 2019 to effect the payment of an ordinary dividend of MAD 6.83 per share, up 5.4% over 2017, representing a total amount of MAD 6.0 billion. This dividend corresponds to 100% of the Group Share of Net Income. This dividend payment date would be from June 4, 2019.

Maroc Telecom Group outlook for 2019

On the basis of the recent changes in the market, to the extent that no new major exceptional event impacts the Group's business, Maroc Telecom is projecting the following for 2019, at constant scope and exchange rates:

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

2.2.1.2 Activities in Morocco

Le Details of the financial indicator adjustments for "Morocco" and "International" are provided in Appendix 1.

IFRS in MAD million	2017	2018	Change
Revenues	**20,481**	**21,414**	**+4.6%**
Mobile	**13,335**	**13,966**	**+4.7%**
Services	*13,214*	*13,731*	*+3.9%*
Equipment	*121*	*235*	*+94.2%*
Fixed-Line	**8,962**	**9,239**	**+3.1%**
Of which Fixed-Line Data*	*2,664*	*2,935*	*+10.2%*
Eliminations and other income	**-1,816**	**-1,790**	
EBITDA	**10,804**	**11,460**	**+6.1%**
Margin (%)	*52.8%*	*53.5%*	*+0.8 pt*
Adjusted EBITA	**6,954**	**7,620**	**+9.6%**
Margin (%)	*34.0%*	*35.6%*	*+1.6 pt*
CAPEX	**4,589**	**2,749**	**-40.1%**
Of which frequencies & licenses	*61*		
CAPEX/revenues (excl. frequencies & licenses)	*22.1%*	*12.8%*	*-9.3 pt*
Adjusted CFFO	**7,319**	**7,498**	**+2.4%**
Net debt	**11,009**	**10,422**	**-5.3%**
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	Change
Mobile				
Customer base[7]	**(000)**	**18,533**	**19,062**	**+2.9%**
Prepaid	(000)	16,766	17,068	+1.8%
Postpaid	(000)	1,767	1,993	+12.8%
Of which 3G/4G+ Internet[8]	**(000)**	**9,481**	**10,828**	**+14.2%**
ARPU[9]	**(MAD/month)**	**58.0**	**58.6**	**+1.0%**

As of December 31, 2018, the Mobile customer base[7] 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[9] 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	Change
Fixed lines	**(000)**	**1,725**	**1,818**	**+5.4%**
Broadband access[10]	**(000)**	**1,363**	**1,484**	**+8.9%**

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.

2.2.1.3 International activities

Financial indicators

IFRS in MAD million	2017	2018	Change	Change at constant exchange rates(1)
Revenues	**15,733**	**16,041**	**+2.0%**	**+0.9%**
Of which Mobile Services	14,274	14,647	+2.6%	+1.5%
EBITDA	**6,357**	**6,397**	**+0.6%**	**-0.2%**
Margin (%)	40.4%	39.9%	-0.5 pt	-0.5 pt
Adjusted EBITA	**3,599**	**3,431**	**-4.7%**	**-5.3%**
Margin (%)	22.9%	21.4%	-1.5 pt	-1.4 pt
CAPEX	**3,643**	**3,894**	**+6.9%**	**+5.5%**
Of which frequencies & licenses	156	719		
CAPEX/revenues (excluding frequencies & licenses)	22.2%	19.8%	-2.4 pt	-2.4 pt
Adjusted CFFO	**3,700**	**2,484**	**-32.9%**	**-33.0%**
Net Debt	**5,767**	**6,514**	**+13.0%**	**+12.2%**
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	Change
Mobile				
Customer base[7]	(000)	**34,967**	**37,926**	
Mauritania		2,139	2,397	+12.0%
Burkina Faso		7,196	7,634	+6.1%
Gabon		1,547	1,620	+4.7%
Mali		7,190	7,320	+1.8%
Côte d'Ivoire		7,734	8,646	+11.8%
Benin		3,960	4,279	+8.1%
Togo		2,943	3,405	+15.7%
Niger		2,114	2,485	+17.5%
Central African Republic		144	140	-2.6%
Fixed-Line				
Customer base	(000)	**302**	**318**	
Mauritania		51	55	+9.4%
Burkina Faso		76	77	+1.0%
Gabon		21	22	+3.0%
Mali		155	164	+6.0%
Fixed-Line Broadband				
Customer base [10]	(000)	**107**	**114**	
Mauritania		13	13	-0.9%
Burkina Faso		13	15	+10.7%
Gabon		16	17	+4.1%
Mali		64	69	+7.5%

Notes :

(1) At a constant exchange rate for the MAD, Ouguiya and CFA franc.

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

(3) Maroc Telecom consolidates the following companies in its financial statements: Mauritel, Onatel, Gabon Telecom, Sotelma and Casanet, as well as the new African subsidiaries (in the Côte d'Ivoire, Benin, Togo, Niger, and the Central African Republic) since their acquisition on January 26, 2015.

(4) 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).

(5) 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 booked at equity 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.

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

(7) 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.

(8) 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.

(9) 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.

(10) The broadband customer base includes ADSL and FTTH (fiber optic) access and leased lines in Morocco, as well as the CDMA customer base for the historical subsidiaries.

Appendix 1: Change from adjusted financial indicators to published financial indicators

Adjusted earnings from operations, Group share of adjusted net income, and adjusted cash flow from operations, 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.

	2017			2018		
(in MAD million)	Morocco	International	Group	Morocco	International	Group
Adjusted EBITA	**6,954**	**3,599**	**10,553**	**7,620**	**3,431**	**11,052**
Non-recurring items:						
Restructuring costs	-193	-49	-243	-2	+2	+0
Published EBITA	**6,760**	**3,550**	**10,310**	**7,618**	**3,434**	**11,052**
Group share of adjusted net income			**5,871**			**6,005**
Non-recurring items:						
Restructuring costs			-165			+5
Group share of published net income			**5,706**			**6,010**
Adjusted CFFO	**7,319**	**3,700**	**11,019**	**7,498**	**2,484**	**9,982**
Non-recurring items:						
Restructuring costs	-579	-41	-620	-2	-9	-11
License payments	-61	-578	-639		-524	-524
Published CFFO	**6,679**	**3,081**	**9,761**	**7,496**	**1,951**	**9,447**

2018 was marked by the incremental payment of MAD 524 million for licenses in Côte d'Ivoire, Gabon and Togo.

In 2017, MAD 639 million were paid for licenses in Côte d'Ivoire, Gabon and Togo, as well as for the reorganization of the 4G frequency spectrum in Morocco.

2.2.2 Comparison of 2017 and 2016 data

2.2.1.1 Consolidated results of the group

Revenues

As of December-end 2017 Maroc Telecom Group's consolidated revenues amounted to MAD 34,963 million, slightly decreasing by 0.8% (-0.9% at constant exchange rates). The 2.4% increase in subsidiaries' revenues at constant exchange rates offset the impact in Morocco of the deregulation of IP telephony since November 2016 and the decline in call termination rates. Revenues from outgoing services were up 3.7% thanks mainly to the growth in the customer base and increased Data usage.

Earnings from operations before depreciation and amortization

At 2017-end, Maroc Telecom Group earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 17,160 million, up 1.5% from the previous year (+1.5% at constant exchange rates). The EBITDA margin increased by 1.2 points over the year (at constant exchange rates) to 49.1% thanks to significant optimization efforts resulting in a 2.3% decrease in Group's operating costs, as well as the impact of the decreases in Mobile call termination rates in the subsidiaries.

Earnings from operations

At 2017-end, Group consolidated adjusted earnings from operations (EBITA) amounted to MAD 10,553 million, up 1.2% vs. 2016 due to EBITDA growth. The adjusted EBITA margin improved by 0.6 points to 30.2%.

Group share of net income

The Group share of adjusted net income was MAD 5,871 million, up 4.4%. This increase reflects, in Morocco, the good resistance to VoIP applications and the substantial growth in net income from International operations and particularly the new Moov subsidiaries, which overall, at December-end 2017, produce a very substantially positive net income.

Cash flow

The adjusted cash flow from operations (CFFO) amounted to MAD 11,019 million, up 3.1% from 2016-end thanks to the increase in EBITDA, the close management of Working Capital Requirement (WCR) and despite the increase in capital expenditure that represented 23% of revenues over the full year (excluding frequencies and licenses).

As of December 31, 2017, the consolidated Maroc Telecom Group net debt was up 6.1% at MAD 13 billion. Nevertheless, this represents only 0.8 times the Group's annual EBITDA.

2.2.1.2 Activities in Morocco

IFRS in MAD million	2016	2017
Revenues	**21,244**	**20,481**
Mobile	**14,115**	**13,335**
Services	*13,806*	*13,214*
Equipment	*309*	*121*
Fixed-line	**8,829**	**8,962**
including fixed-line data*	*2,427*	*2,664*
Eliminations and other revenues	**-1,700**	**-1,816**
EBITDA	**11,004**	**10,804**
Margin (%)	*51.8%*	*52.8%*
Adjusted EBITA	**7,157**	**6,954**
Margin (%)	*33.7%*	*34.0%*
CAPEX	**3,905**	**4,589**
including licenses and frequencies		*61*
CAPEX/Rev. (excluding licenses and frequencies)	*18.4%*	*22.1%*
Adjusted CFFO	**7,124**	**7,319**
Net debt	**10,937**	**11,009**
Net debt/EBITDA	*1.0*	*1.0*

In 2017, operations in Morocco generated revenues of MAD 20,481 million, down 3.6%. The decline in incoming international traffic induced by the deregulation of IP telephony in November 2016 and the asymmetry of Mobile call termination rates since the first of March 2017 have weighed on Mobile revenues but are nevertheless partially offset by the increase in Fixed-Line and Internet activities.

The Fixed-Line and Internet activities' growth combined to the savings coming from the voluntary redundancy plan and efforts to optimize costs have increased the EBITDA margin by 1.0 points to 52.8%.

Adjusted earnings from operations were MAD 6,954 million, down 2.8% due to the decline in EBITDA. The adjusted EBITA margin improved by 0.3 points vs. prior year to 34.0%.

Cash flow from operations in Morocco was up 2.7% to more than MAD 7 billion, thanks to continued efforts to optimize Working Capital Requirements (WCR).

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

Mobile

	Unit	2016	2017
Mobile			
Customer base	**(000)**	**18,375**	**18,533**
Prepaid	(000)	16,645	16,766
Postpaid	(000)	1,729	1,767
including Internet 3G/4G+	**(000)**	**7,844**	**9,481**
ARPU	**(MAD/month)**	**61.1**	**58.0**

As of December 31, 2017, the Mobile customer base numbered 18.5 million customers, up 0.9% year-on-year, thanks to the 2.2% rise in postpaid customers and the 0.7% rise in prepaid customers.

Mobile revenues amounted to MAD 13,335 million, down 5.5% from 2016, suffering from the impact of deregulation of IP telephony since 2016 and the asymmetry of Mobile call terminations since March 2017.

Outgoing revenues increased by 1.9% to MAD 10,511 million, driven by the sharp growth in Mobile Data (+53%), which more than offset the decrease in Voice.

Mobile Data continues to be very popular. The Mobile Data customer base increased by 21% and its traffic by 78%, supported mainly by the extension of 4G+ network which covered 93% of the population at December-end 2017.

Blended 2017 ARPU amounted to MAD 58, down by 5.0% compared to the same period in 2016 due to the decline in incoming revenues.

Fixed-line & Internet

	Unit	2016	2017
Fixed-line			
Fixed lines	**(000)**	1,640	1,725
Broadband access	**(000)**	1,241	1,363

The Fixed-line customer base was 1.7 million lines at year-end 2017, up by a sustained 5.2%, thanks to the ADSL services. The broadband customer base increased by 9.8% to nearly reach 1.4 million subscribers, driven by the enhancement of Double-Play packages and success of FTTH offers.

Fixed-Line and Internet posted MAD 8,962 million in revenues, up 1.5% vs. 2016 driven by the growth in customer base.

2.2.1.3 International activities

Financial indicators

IFRS in MAD million	2016	2017	Changes	Changes on a like-for-like basis
Revenues	**15,326**	**15,733**	**+2.7%**	**+2.4%**
o/w Mobile Services	*13,815*	*14,274*	*+3.3%*	*+3.1%*
EBITDA	**5,905**	**6,357**	**+7.6%**	**+7.6%**
Margin (%)	*38.5%*	*40.4%*	*+1.9 pt*	*+1.9 pt*
Adjusted EBITA	**3,268**	**3,599**	**+10.1%**	**+10.2%**
Margin (%)	*21.3%*	*22.9%*	*+1.6 pt*	*+1.6 pt*
CAPEX	**4,077**	**3,643**	**-10.7%**	
o/w licenses and frequencies	*888*	*156*		
CAPEX/Rev. (excluding licenses and frequencies)	*20.8%*	*22.2%*	*+1.4 pt*	
Adjusted CFFO	**3,563**	**3,700**	**+3.9%**	
Net Debt	**4,670**	**5,767**	**+23.5%**	
Net debt / EBITDA	*0.8*	*0.9*		

At 2017-end, the Group's International operations posted revenues of MAD 15,733 million, up 2.7% (+2.4% at constant exchange rates) driven by the 11.9% revenue increase (at constant exchange rates) of the new subsidiaries, offsetting the impacts of the drop in call termination rates, of the erosion of the international incoming traffic and of the deactivation of unidentified customers.

At 2017-end, earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 6,357 million, up 7.6% at constant exchange rates. The EBITDA margin increased by 1.9 points to 40.4%, driven by the call termination rates and operating costs (-1.0% at constant exchange rates) decreases.

Adjusted earnings from operations (EBITA) were MAD 3,599 million, up 10.2% at constant exchange rates mainly due to the increase in EBITDA. The EBITA margin rose by 1.6 points (at constant exchange rates) to 22.9%.

Adjusted cash flow (CFFO) from international activities was up 3.9% to MAD 3,700 million, despite the acceleration in capital expenditure which reached more than 22% of revenues.

Operating indicators

	Unit	2016	2017	Changes
Mobile				
Customer base	(000)	**32,370**	**34,967**	
Mauritania		1,984	2,139	+7.8%
Burkina Faso		7,017	7,196	+2.6%
Gabon		1,690	1,547	-8.4%
Mali		7,087	7,190	+1.5%
Côte d'Ivoire		6,840	7,734	+13.1%
Benin		3,727	3,960	+6.2%
Togo		2,463	2,943	+19.5%
Niger		1,418	2,114	+49.0%
Central African Republic		144	144	+0.1%
Fixed-Line				
Customer base	(000)	**291**	**302**	
Mauritania		48	51	+6.4%
Burkina Faso		76	76	+0.4%
Gabon Telecom		19	21	+12.6%
Mali		149	155	+3.8%
Fixed-line broadband				
Customer base	(000)	**99**	**107**	
Mauritanie		11	13	+18.6%
Burkina Faso		14	13	-0.2%
Gabon		13	16	+23.4%
Mali		61	64	+4.9%

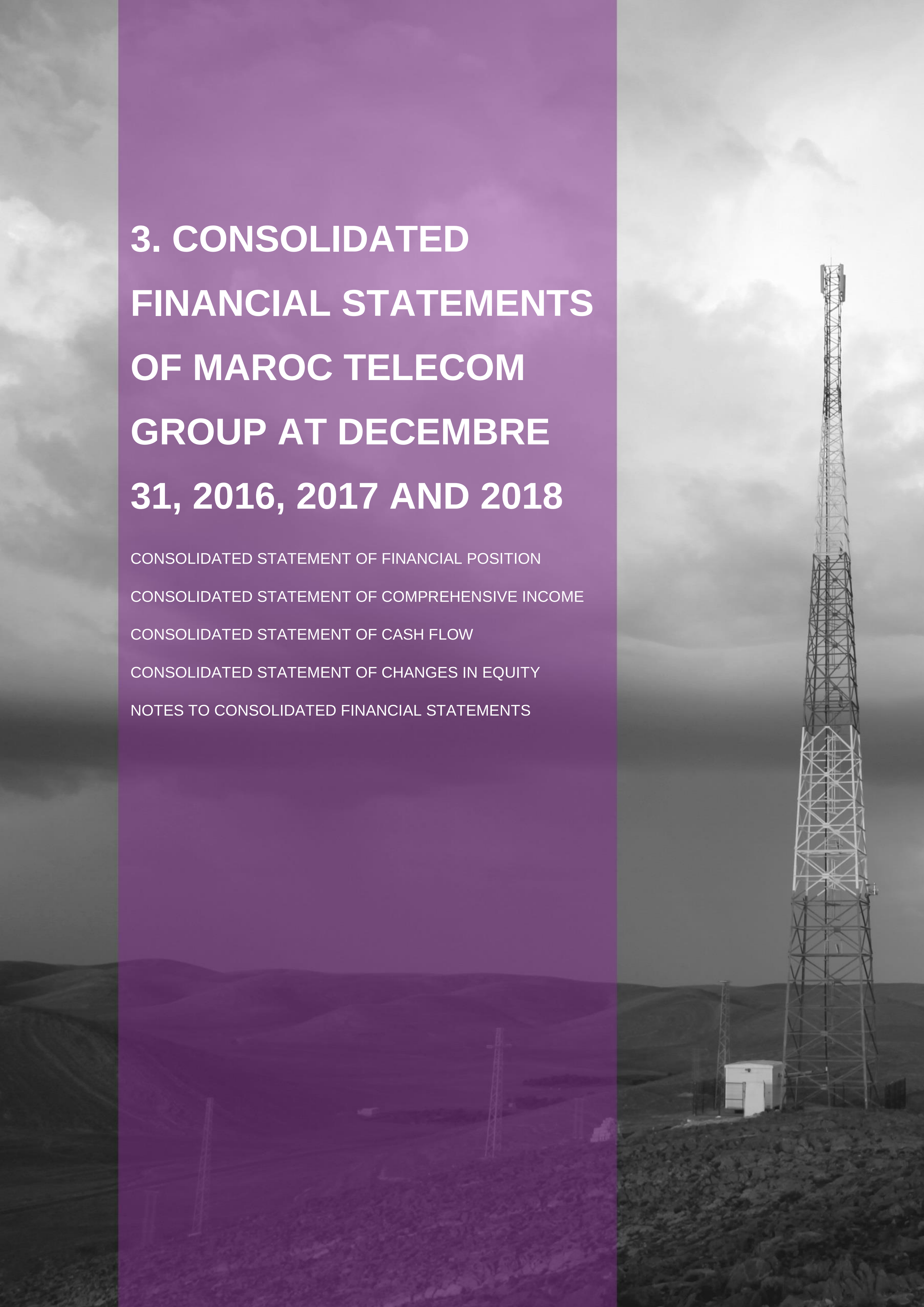
2.3 TRANSITION FROM SEPARATE FINANCIAL STATEMENTS TO CONSOLIDATED FINANCIAL STATEMENTS

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 redemption or expiration of points;
- recognition of resellers' 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;
- recognition in the income statement of foreign currency translations adjustments (liabilities);
- 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;
- 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.

Other consolidation adjustments concern all consolidation transactions (elimination of consolidated securities, intercompany transactions and internal capital gains or losses, etc.).



3. CONSOLIDATED FINANCIAL STATEMENTS OF MAROC TELECOM GROUP AT DECEMBRE 31, 2016, 2017 AND 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF CASH FLOW

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31 DÉCEMBRE 2016, 2017 AND 2018

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	2016	2017	2018
Goodwill	3	8,360	8,695	8,548
Other intangible assets	4	7,378	7,485	7,681
Property, plant, and equipment	5	29,981	32,090	31,301
Investments in equity affiliates	6	0	0	0
Noncurrent financial assets	7	327	335	299
Deferred tax assets	8	276	273	224
Noncurrent assets		**46,322**	**48,879**	**48,053**
Inventories	9	324	296	348
Trade accounts receivable and other	10	12,001	11,325	11,839
Short term financial assets	11	156	119	138
Cash and cash equivalents	12	2,438	2,010	1,700
Assets available for sale		54	54	54
Current assets		**14,974**	**13,803**	**14,078**
TOTAL ASSETS		**61,296**	**62,682**	**62,131**

SHAREHOLDERS' EQUITY AND LIABILITIES (In MAD million)	Note	2016	2017	2018
Share capital		5,275	5,275	5,275
Retained earnings		4,604	4,854	4,383
Net earnings		5,598	5,706	6,010
Shareholders'equity attributable to equity holders of the parent	13	15,476	15,835	15,668
Noncontrolling interests		3,822	3,916	3,822
Shareholders'equity		**19,298**	**19,750**	**19,490**
Noncurrent provisions	14	470	570	464
Borrowings and other long-term financial liabilities	15	4,666	4,200	3,475
Deferred tax liabilities	8	266	244	246
Other noncurrent liabilities		0	0	0
Noncurrent liabilities		**5,402**	**5,014**	**4,185**
Trade accounts payable	16	24,626	25,627	24,095
Current tax liabilities		651	563	906
Current provisions	14	1,208	838	1,325
Borrowings and other short term financial liabilities	15	10,110	10,890	12,129
Current liabilities		**36,596**	**37,918**	**38,456**
TOTAL SHAREHOLDERS'EQUITY AND LIABILITIES		**61,296**	**62,682**	**62,131**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In MAD million)	Note	2016	2017	2018
Revenues	17	**35,252**	**34,963**	**36,032**
Cost of purchases	18	-6,223	-5,937	-6,011
Payroll costs	19	-3,260	-3,138	-2,891
Taxes and duties	20	-2,971	-2,838	-2,818
Other operating income (expenses)	21	-5,486	-6,183	-5,923
Net depreciation, amortization, and provisions	22	-6,845	-6,557	-7,337
Earnings from operations		**10,468**	**10,310**	**11,052**
Other income and charges from ordinary activities		-47	-32	-11
Income from equity affiliates	23	0	0	0
Earnings from continuing operations		**10,421**	**10,278**	**11,040**
Income from cash and cash equivalents		10	6	3
Gross borrowing costs		-333	-497	-527
Net borrowing costs		**-322**	**-491**	**-524**
Other financial income and expenses		-124	-1	99
Net financial income (expense)	24	**-446**	**-491**	**-425**
Income tax	25	-3,347	-3,208	-3,677
Net income		**6,628**	**6,579**	**6,938**
Exchange gain or loss from foreign activities		-276	463	-239
Other income and expenses		-23	-45	-5
Total comprehensive income for the period		**6,329**	**6,997**	**6,693**
Net income		**6,628**	**6,579**	**6,938**
Attributable to equity holders of the parent		5,598	5,706	6,010
Noncontrolling interests	26	1,031	873	928
Total comprehensive income for the period		**6,329**	**6,997**	**6,693**
Attributable to equity holders of the parent		5,438	5,940	5,855
Noncontrolling interests	26	891	1,014	839

EARNINGS PER SHARE		2016	2017	2018
Net earnings attributable to equity holders of the parent (in MAD millions)		**5,598**	**5,706**	**6,010**
Number of shares at December 31		879,095,340	879,095,340	879,095,340
Net earnings per share (in MAD)	27	**6.37**	**6.49**	**6.84**
Diluted net earnings per share (in MAD)	27	**6.37**	**6.49**	**6.84**

CONSOLIDATED STATEMENT OF CASH FLOW

(In MAD million)	Note	2016	2017	2018
Earnings from operations		10,468	10,310	11,052
Depreciation, amortization and other non-cash movements		6,548	6,582	7,318
Gross cash from operating activities		**17,016**	**16,892**	**18,370**
Other changes in net working capital		-145	1,189	-883
Net cash from operating activities before tax		**16,871**	**18,081**	**17,487**
Income tax paid		-3,388	-3,170	-2,967
Net cash from operating activities (a)	12	**13,483**	**14,911**	**14,520**
Purchase of PP&E and intangible assets		-6,251	-8,370	-8,075
Purchases of consolidated investments after acquired cash		-66	0	-469
Investments in equity affiliates		0	0	0
Increase in financial assets		-219	-319	-194
Disposals of PP&E and intangible assets		414	0	31
Decrease in financial assets		22	622	335
Dividends received from nonconsolidated investments		5	6	2
Net cash used in investing activities (b)		**-6,094**	**-8,061**	**-8,369**
Capital increase		-122		0
Dividends paid by Maroc Telecom	13	-5,590	-5,598	-5,732
Dividends paid by subsidiaries to their noncontrolling interests		-1,210	-921	-798
Changes in equity		**-6,922**	**-6,519**	**-6,529**
Proceeds from borrowings and increase in other long-term financial liabilities		307	1,681	1,347
Payments on borrowings and decrease in other noncurrent financial liabilities		0	0	0
Proceeds from borrowings and increase in other short-term financial liabilities		1,352	910	1,933
Payments on borrowings and decrease in other current financial liabilities		-2,299	-2,545	-2,682
Change in net current accounts		0	0	0
Net interest paid (cash only)		-265	-784	-575
Other cash expenses (income) used in financing activities		-153	-9	6
Change in borrowings and other financial liabilities		**-1,058**	**-747**	**29**
Net cash used in financing activities (d)	12	**-7,979**	**-7,266**	**-6,501**
Translation adjustment and other noncash items (g)		**-53**	**-13**	**40**
Total cash flows (a)+(b)+(d)+(g)	12	**-644**	**-428**	**-310**
Cash and cash equivalents at beginning of period		**3,082**	**2,438**	**2,010**
Cash and cash equivalents at end of period	12	**2,438**	**2,010**	**1,700**

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, 2016		**5,275**	**10,341**	**-271**	**15,344**	**4,360**	**19,704**
Total comprehensive income for the period			**5,598**	**-142**	**5,456**	**901**	**6,357**
Change in gains and losses recognized directly in equity and recyclable in profit or loss				**-142**	**-142**	**-130**	-271
Gains and losses on translation				-142	-142	-130	-271
Change in gains and losses recognized directly in equity and recyclable in profit or loss				**-14**	**-14**	**-10**	**-23**
Actuarial difference				-14	-14	-10	-23
Actuarial gains and loses					0		0
Capital increase					0		0
Capital decrease					0		0
Change in percentage without assumption/loss of control			282		282	-337	-55
Change in percentage with assumption/loss of control					0		0
Dividends			-5,590		-5,590	-1,118	-6,708
Treasury stock			40		40		40
Other adjustements			-42		-42	25	-17
Restated position at December 31, 2016		**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
Share-based compensation					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
Position at December 31, 2017		**5,275**	**10,710**	**-150**	**15,835**	**3,916**	**19,750**
Total comprehensive income for the period			**6,010**	**-155**	**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**

At December 31, 2018, 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: 30%;
- Other: 17%.

The reserves consist mainly of accumulated prior year retained earnings of which MAD 3,424 million of undistributable reserves at December 31, 2018 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, 2018.

The financial statements and notes thereto were approved by the Management Board on January 25, 2019.

1. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018, 2017, AND 2016

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, 2018, 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 2018 financial statements also include financial information on 2017 and 2016.

2. COMPLIANCE WITH ACCOUNTING STANDARDS

The consolidated financial statements of Itissalat Al-Marghrib S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union and mandatory at December 31, 2017. 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 2018

All the new standards, interpretations and amendments published by the IASB and mandatory in the European Union since January 1, 2018 have been applied.

2.1.1 Impact of application of the standards and interpretations adopted in 2018

The annual improvements of the cycle 2014-2016 has an impact on the IFRS1, and IAS28 without material impact on Maroc Telecom's annual financial statements.

IFRS 15 - Revenue from Contracts with Customers, which takes effect January 1, 2018, is the new standard governing how revenue will be recognized.

In applying IFRS 15 within the Maroc Telecom Group, work has been done to identify and measure its impact on the consolidated financial statements. The results of the analyses undertaken confirm that the Group's existing model used to recognize its revenues does not materially differ from the new provisions of IFRS 15. Consequently, the first application of this standard does not materially impact the consolidated financial statements.

Furthermore, the decision was made to apply IFRS 15 retrospectively in full without adjusting the published figures as they were judged to be in compliance with IFRS 15.

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

In applying IFRS 16 (Leases), which takes effect in January 2019, leases will have to be recognized on the balance sheet as a right-of-use asset with a corresponding lease liability, taking into account the exclusions provided by the standard. Application of IFRS 16 will therefore bring an increase in the Group's financial debt, an improvement in its operating income and an increase in its financial expenses.

In 2018, the Group began a compliance project, which also included the implementation of a dedicated information system.

For the transition, the Group opted for the simplified retrospective method without restating comparative periods and used estimates to determine the remaining term of the leases and the discount rates. Work is continuing to improve the reliability of the impacts, bearing in mind that at this stage the Group would estimate the increase in its debt between MAD 1 billion and MAD 1.5 billion.

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

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

- provisions: risk estimates, performed on an individual basis; the occurrence of events during risk-measurement procedures may lead at any time to a reassessment of the risk in question (see Note 14);
- impairment of trade receivables and inventories: estimates of nonrecovery risk for trade receivables and obsolescence risk for inventories;
- employee benefits: assumptions, updated annually, include the probability of employees remaining with the Group until retirement, expected changes in future compensation, the discount rate, and the inflation rate (see Note 14);

- revenue recognition: estimates of benefits granted as part of customer-loyalty programs, to be deducted from certain revenue items, and of deferred revenue relating to distributors (see Note 17);
- goodwill: valuation methods adopted for the identification of intangible assets acquired through business combinations (see Note 3);
- goodwill, indefinite useful lives of intangible assets, and assets in progress: assumptions are updated annually for impairment tests performed on each of the Group's cash-generating units (CGUs), determined by future cash flows and discount rates;
- deferred taxes: estimates concerning the recognition of deferred tax assets are updated annually; estimates include the Group's future tax results and expected changes in temporary differences between assets and liabilities (see Note 8).

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, 2016, 2017, and 2018.

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, except for investments in treasury shares held for trading. The latter 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 comprise:

- goods held for sale to customers upon line activation, Fixed-line, Mobile Internet or Multimedia terminals and their accessories. These inventories are accounted for using the weighted average cost method;
- handsets delivered to distributors and not activated at year-end are recorded as inventory;
- handsets not activated within nine months of the delivery date are recorded as revenue;
- equipment and supplies corresponding to general network equipment (these inventories are measured at their average purchase price)
- Inventories are valued at the lower of cost and net realizable value. Impairment is recognized based on the outlook for disposal (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 : 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.

Derivative financial instruments

Maroc Telecom uses a currency hedging in the form of purchases and sales of foreign currencies.

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.

A provision for pension obligations has been recorded for senior executives of Maroc Telecom. For the subsidiaries, this provision is estimated using the actuarial method.

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 2016, 2017 and 2018 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

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

The assessment of off-balance-sheet commitments to suppliers of fixed assets is based on the orders actually issued. The commitment corresponds to the difference between the orders issued and those completed.

In addition, commitments relating to real estate rental contracts are estimated on the basis of the notice period provided contractually.

5. SEGMENT DATA

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

In order to align itself with internal reporting indicators, as required by 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 bringing together its current subsidiaries in Mauritania, Burkina Faso, Gabon, Mali, Côte d'Ivoire, Benin, Togo, Niger and Central African Republic.

6. NET CASH POSITION

This corresponds to cash and cash equivalents minus borrowings, cash equivalents and cash earmarked for borrowings repayable in more than 3 months' time.

7. EARNINGS 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, 2018, there were no potentially dilutive instruments.

NOTE 2. SCOPE OF CONSOLIDATION

Company	Legal form	% Group interest	% Capital held	Consolidation method
Maroc Telecom	**SA**	**100%**	**100%**	**FC**
Avenue Annakhil Hay Riad Rabat-Maroc				
Compagnie Mauritanienne de Communication (CMC)	**SA**			
Dec,31,18		**80%**	**80%**	**FC**
Dec,31,17		80%	80%	FC
Dec,31,16		80%	80%	FC
563, Avenue Roi Fayçal Nouakchott-Mauritanie				
Mauritel SA	**SA**			
Dec,31,18		**41%**	**52%**	**FC**
Dec,31,17		41%	52%	FC
Dec,31,16		41%	52%	FC
563, Avenue Roi Fayçal Nouakchott-Mauritanie				
Onatel	**SA**			
Dec,31,18		**61%**	**61%**	**FC**
Dec,31,17		51%	51%	FC
Dec,31,16		51%	51%	FC
705, AV. de la nation 01 BP10000 Ouagadougou – Burkina Faso				
Gabon Telecom	**SA**			
Dec,31,18		**51%**	**51%**	**FC**
Dec,31,17		51%	51%	FC
Dec,31,16		51%	51%	FC
Immeuble 9 étages, BP 40 000 Libreville-Gabon				
Sotelma	**SA**			
Dec,31,18		**51%**	**51%**	**FC**
Dec,31,17		51%	51%	FC
Dec,31,16		51%	51%	FC
Route de Koulikoro, quartier Hippodrome, BP 740,Bamako-Mali				
Casanet	**SA**			
Dec,31,18		**100%**	**100%**	**FC**
Dec,31,17		100%	100%	FC
Dec,31,16		100%	100%	FC
Avenue Annakhil Hay Riad Rabat-Maroc				
Atlantique Telecom Côte d'Ivoire	**SA**			
Dec,31,18		**85%**	**85%**	**FC**
Dec,31,17		85%	85%	FC
Dec,31,16		85%	85%	FC
Abidjan-Plateau, Immeuble KARRAT, Avenue Botreau Roussel, 01 BP 2347				
Etisalat Bénin	**SA**			
Dec,31,18		**100%**	**100%**	**FC**
Dec,31,17		100%	100%	FC
Dec,31,16		100%	100%	FC
Cotonou, ilot 553, quartier Zongo Ehuzu, zone résidentielle, avenue Jean Paul 2, immeuble Etisalat				
Atlantique Telecom Togo	**SA**			
Dec,31,18		**95%**	**95%**	**FC**
Dec,31,17		95%	95%	FC
Dec,31,16		95%	95%	FC
Boulevard de la Paix, Route de l'Aviation, Immeuble Moov-Etisalat - Lomé				
Atlantique Telecom Niger	**SA**			
Dec,31,18		**100%**	**100%**	**FC**
Dec,31,17		100%	100%	FC
Dec,31,16		100%	100%	FC
720 Boulevard du 15 avril Zone Industrielle, BP 13 379, Niamey				
Atlantique Telecom Centrafrique	**SA**			
Dec,31,18		**100%**	**100%**	**FC**
Dec,31,17		100%	100%	FC
Dec,31,16		100%	100%	FC
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%**	**FC**
Dec,31,17		100%	100%	FC
Dec,31,16		100%	100%	FC
Grand Bassam Zone Franche VITIB ex-Complexe IIAO, 01 BT 8592 Abidjan				

NOTE 3. GOODWILL

(In MAD millions)	2016	2017	2018
Mauritel	137	136	136
Onatel	1,838	1,838	1,838
Gabon Telecom	641	668	656
Sotelma	4,532	4,776	4,669
Casanet	5	5	5
Filiales Moov	1,206	1,271	1,243

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.

A value test consists of comparing the carrying value of each CGU against its market value. This market value is estimated by discounting the future cash flows based on 5 years business plans. For Casanet, the market value is estimated by the market multiples method, on 2018 results and 2019 projections.

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	14.00%	3.00%
Filiales Moov	DCF	[9,5% - 16%]	3.00%
Casanet	Multiples boursiers	Average of 12,3 x of 2018 EBITDA and 10,6 x of 2019 EBITDA	

* : Discounted Cash Flows

Goodwill variation table

(in MAD million)	Beginning of period	Impairment	Translation adjustment	Reclassification	Change in scope of	End of period
2016	**8,440**	**0**	**-113**	**33**	**0**	**8,360**
Mauritel	137		-1			137
Onatel	1,838					1,838
Gabon Telecom	142		-9		508	641
Sotelma	4,613		-81			4,532
Casanet	5					5
Filiales Moov	1,704		-22	33	-508	1,206
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

NOTE 4. OTHER INTANGIBLE ASSETS

(in MAD million)	2016	2017	2018
Software	1,411	1,674	1,508
Telecom license	4,588	4,289	4,554
Other intangible assets	1,379	1,522	1,618
Net total	**7,378**	**7,485**	**7,681**

The “telecom licenses” item includes the following licenses:

- The 2G licenses for Mauritel, Onatel, Gabon Telecom, Sotelma, Etisalat Bénin, AT Togo and AT Niger;
- The 3G licenses for Ittisalat Al Maghrib SA, Mauritel, Onatel, Gabon Telecom, Sotelma, Etisalat Bénin, AT Togo, AT Niger and AT RCA;
- The global Mobile licenses for AT RCA and Etisalat Benin;
- The global license for AT CDI;
- The 4G licenses for Ittisalat Al Maghrib SA, Gabon Telecom, Sotelma, Etisalat Bénin and AT Togo.

"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.

2018

(in MAD million)	2017	Acquisitions et Dotations	Cessions et retraits	Ecart de conversion	Var. périmètre	Reclassements	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**

Intangible assets recorded an increase of MAD 1,628 million relating to new acquisitions detailed as follows:

- Investments in telecom licenses in the amount of MAD 719 million.
- Investments in software products in the amount of MAD 486 million.
- Investments in patents and trademarks in the amount of MAD 267 million in Morocco.

2017

(in MAD million)	2016	Acquisitions et Dotations	Cessions et retraits	Ecart de conversion	Var. périmètre	Reclassements	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**

2016

(in MAD million)	2015	Acquisitions et Dotations	Cessions et retraits	Ecart de conversion	Var. périmètre	Reclassements	2016
Gross	**18,540**	**2,052**	**0**	**-242**	**0**	**-340**	**20,009**
Software	7,476	695		-86		-353	7,732
Telecom license	6,552	888		-143			7,296
Other intangible assets	4,513	468		-13		13	4,981
Amortization and impairment	**-11,417**	**-1,356**	**0**	**117**	**0**	**25**	**-12,631**
Software	-5,873	-551		62		41	-6,321
Telecom license	-2,294	-446		47		-16	-2,708
Other intangible assets	-3,250	-359		8		0	-3,601
Net total	**7,123**	**696**	**0**	**-125**	**0**	**-315**	**7,378**

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

NOTE 5. PROPERTY, PLANT, AND EQUIPMENT

(in MAD million)	2016	2017	2018
Land	1,572	1,607	1,593
Buildings	2,859	2,876	2,982
Technical installations, machinery and equipment	24,451	26,612	25,542
Transportation, equipment	149	92	319
Office equipment, furniture, and fittings	747	712	617
Other property, plant, and equipment	204	192	248
Net total	**29,981**	**32,090**	**31,301**

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

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**

Acquisitions of property, plant and equipment (PP&E) amounting to MAD 5,015 million are mainly due to investments made in network infrastructure in 2018, as follows:

- MAD 1,580 million in Morocco due for the modernization of Mobile, Fixed-Line and Internet infrastructure.
- MAD 2,408 million investments in international network infrastructure.

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**

2016

(in MAD million)	2015	Acquisitions & dotations	Disposals and withdrawals	Translation adjustment	Change in scope of consolidation	Reclassification	Assets held for sale	2016
Gross	**90,364**	**5,932**	**-417**	**-887**	**0**	**193**	**347**	**95,532**
Land	1,610	23	-58	-16	0	25		1,584
Buildings	8,118	214	-347	-41		8	347	8,300
Technical plant, machinery and equipment	75,131	5,364	-1	-781	0	-312		79,402
Transportation, equipment	614	31	-10	-19	0	0		616
Office equipment furniture and fittings	4,675	154	-1	-25	0	499		5,303
Other property, plant, and equipment	216	146		-6	0	-28		327
Depreciation and impairment	**-61,025**	**-5,196**	**315**	**561**	**0**	**83**	**-289**	**-65,551**
Land	-11	-2		1				-12
Buildings	-5,220	-249	289	28		0	-289	-5,441
Technical plant, machinery, and equipment	-51,277	-4,632	16	497	0	445		-54,951
Transportation equipment	-454	-36	10	13	0			-467
Office equipment, furniture, and fittings	-3,952	-263	1	20	0	-362		-4,557
Other property, plant, and equipment	-110	-15		2		0		-123
Net total	**29,339**	**736**	**-101**	**-326**	**0**	**275**	**59**	**29,981**

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

NOTE 6. INVESTMENTS IN EQUITY AFFILIATES

No equity interest was accounted for by the equity method in 2016, 2017, or 2018.

NOTE 7. NONCURRENT FINANCIAL ASSETS

(in MAD million)	Note	2016	2017	2018
Unconsolidated investments	7.1	156	102	73
Other financial assets		171	233	226
Net total		**327**	**335**	**299**

At December 31, 2018, other financial assets mainly comprised:

- AT Togo financial receivables of MAD 146 million;
- Maroc Telecom financial assets of MAD 63 million, of which MAD 16 million are loans to personnel.
- Loans by Mauritel of MAD 34 million.

At December 31, 2018, the maturities of other financial assets were as follows:

(in MAD million)	Note	2016	2017	2018
Due in less than 12 months		9	172	168
Due in 1 to 5 years		159	59	57
Due in more than 5 years		3	2	0
Net total		**171**	**233**	**226**

7.1 Unconsolidated interests

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 SAT	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**

In 2018, the share of non-consolidated companies decreased by 29% due to the depreciation of Médi1 TV, INMARSAT and Thuraya shares.

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**

2016

(in MAD million)	Percentage held	Gross value	Impairment	Carrying amount
Arabsat	NS	13		**13**
Autoroute du Maroc	NS	20	4	**16**
Thuraya	NS	10		**10**
Fond d'amorçage Sindibad	10%	5	5	**0**
Médi1 TV	8%	169	84	**85**
RASCOM	9%	44	32	**12**
Sonatel	NS	12		**12**
CMTL	25%	6	1	**4**
INMARSAT	NS	12	8	**3**
IMT/GIE	20%	1		**1**
MT Fly	100%	20	20	**0**
Hôtels de la GARE	NS	1	1	**0**
Total		**312**	**156**	**156**

NOTE 8. CHANGE IN DEFERRED TAXES

8.1 Net position

(in MAD million)	2016	2017	2018
Assets	276	273	224
Liabilities	266	244	246
Net position	**10**	**29**	**-23**

8.2 Change in deferred taxes

2018

(in MAD million)	2017	Charge du compte de résultat	Incidence capitaux propres	Mouvement de périmètre	Reclassements	Ecarts de conversion	2018
Assets	273	-25	-28		9	-5	224
Liabilities	244	15	-1		-11	-1	246
Net position	**29**	**-39**	**-27**	**0**	**19**	**-5**	**-23**

Deferred tax assets decreased by MAD 49 million relative to 2017, in contrast to deferred tax liabilities which remained almost unchanged.

The decrease in deferred tax assets reflects the decrease in provisions for retirement packages at subsidiaries.

2017

(in MAD million)	2016	Charge du compte de résultat	Incidence capitaux propres	Mouvement de périmètre	Reclassements	Ecarts de conversion	2017
Assets	276	8	2		-26	14	273
Liabilities	266	6	-1		-28	1	244
Net position	**10**	**2**	**3**	**0**	**2**	**13**	**29**

2016

(in MAD million)	2015	Charge du compte de résultat	Incidence capitaux propres	Mouvement de périmètre	Reclassements	Ecarts de conversion	2016
Assets	429	-159	6		6	-6	276
Liabilities	282	-13	-4		1	0	266
Net position	**148**	**-146**	**10**	**0**	**5**	**-6**	**10**

Components of deferred taxes

(in MAD million)	2016	2017	2018
Impairment deductible in later period	55	55	55
Restatement (IFRS) of revenues	-38	-27	-21
Deferred losses	109	62	62
Other	-116	-61	-119
Net position	**10**	**29**	**-23**

NOTE 9. INVENTORIES

(in MAD million)	2016	2017	2018
Inventories	545	500	530
Impairment (-)	-221	-204	-182
Net total	**324**	**296**	**348**

Gross inventories on December 31, 2018, mainly comprised inventories in Morocco including:

- MAD 151 million in mobile handsets;
- MAD 145 million in consumable materials and supplies;

The inventory breakdown at subsidiaries follows the same trend as at Maroc Telecom.
Changes in inventories are recognized in cost of purchases.
Inventory impairment is recorded under “Amortization, depreciation and charges to provisions”.

NOTE 10. TRADE ACCOUNTS RECEIVABLE AND OTHER

(in MAD million)	2016	2017	2018
Trade receivables and related accounts	8,929	8,527	8,534
Other receivables and accruals	3,072	2,798	3,305
Net total	**12,001**	**11,325**	**11,839**

10.1 Trade receivables and related accounts

(in MAD million)	2016	2017	2018
Trade receivables	14,776	14,554	14,882
Gouvernment receivables	1,507	1,611	1,391
Depreciation of trade receivables (-)	-7,354	-7,638	-7,739
Net total	**8,929**	**8,527**	**8,534**

Net trade receivables remained stable compared to 2017.

10.2 Other receivables and accruals

(in MAD million)	2016	2017	2018
Trade receivables, advances, and deposits	240	169	464
Employee receivables	87	82	59
Tax receivables	1,687	1,193	1,064
Other receivables	774	985	1,298
Accruals	283	369	419
Net total	**3,072**	**2,798**	**3,305**

The item “Tax receivables” mainly refers to VAT and corporation income tax receivables.

In 2018, the balance of tax receivables amounted to MAD1,064 million (compared to MAD1,193 million in 2017), a decrease of 10.81%. This variation is due to the decrease in tax expenses at certain subsidiaries.

NOTE 11. SHORT-TERM FINANCIAL ASSETS

(in MAD million)	2016	2017	2018
Term deposit > 90 days			
Escrow account	156	119	138
Marketable securities			
Net total	**156**	**119**	**138**

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)	2016	2017	2018
Cash	2,338	1,923	1,664
Cash equivalents	100	87	35
Cash and cash equivalents	**2,438**	**2,010**	**1,700**

Cash and cash equivalents fell by MAD 310 million, mainly due to Morocco.

Change in cash and cash equivalents

(in MAD million)	2016	2017	2018
Net cash from operating activities	13,483	14,911	14,520
Net cash used in investing activities	-6,094	-8,061	-8,369
Net cash used in financing activities	-7,979	-7,266	-6,501
Foreign-currency translation adjustments	-53	-13	40
Change in cash and cash equivalents	**-644**	**-428**	**-310**
Cash and cash equivalents at beginning of period	3,082	2,438	2,010
Cash and cash equivalents at end of period	2,438	2,010	1,700
Change in cash and cash equivalents	**-644**	**-428**	**-310**

Cash and cash equivalents fell by MAD 310 million in 2018. This decrease is due to the deterioration in net cash flow from investing activities due to delays in the repayment of equipment suppliers, partially offset by the improvement in net cash flow from financing activities following the implementation of new borrowing lines.

Net cash from operating activities

In 2018, net cash flow from operating activities totaled MAD 14,520 million, a decrease of MAD 391 million from a year earlier. This decline is mainly due to a MAD 877million decrease in working capital requirement, mainly from Morocco.

Net cash used in investing activities

Net cash flow from investing activities was a net outflow of MAD -8,369 million, an increase of MAD 308 million over the previous year. This increase was due to new asset acquisitions in the period, mainly network equipment.

Net cash used in financing activities

This flow mainly reflects dividends paid to shareholders of MAD 6,503 million and debt service payments of MAD 3,251 million. Cash inflows during the period were mainly loans from banks of MAD 1,692 million and overdraft lines of credit in the amount of MAD 1,588 million earmarked for funding ongoing operations.

NOTE 13. DIVIDENDS

13.1 Dividends

(in MAD million)	2016	2017	2018
Dividends paid by subsidiaries to their noncontrolling interests			
Total (a)	**1,118**	**918**	**807**
Dividends paid by Maroc Telecom to its shareholders			
-Kingdom of Morocco	1,677	1,677	1,709
-Société de Participation dans les Télécommunications (SPT)	2,963	2,963	3,019
-Other	949	950	968
Total (b)	**5,590**	**5,591**	**5,696**
Total dividends paid (a)+(b)	**6,708**	**6,509**	**6,503**

13.2 Dividend proposed for 2018

Dividends paid by Maroc Telecom to its shareholders remained almost stable relative to 2017.

Dividends paid by subsidiaries to their non-controlling shareholders declined by 12% relative to the previous year.

NOTE 14. PROVISIONS

Provisions for contingencies and losses are analyzed as follows:

(in MAD million)	2016	2017	2018
Noncurrent provisions	**470**	**570**	**464**
Provisions for life annuities	18	17	16
Provisions for termination benefits	400	428	389
Provisions for disputes with third parties	28	94	38
Other provisions	23	32	21
Current provisions	**1208**	**838**	**1325**
Provisions for voluntary redundancy plan	386	0	0
Provisions for employee-related expenses	0	0	0
Provisions for disputes with third parties	822	834	1268
Other provisions	0	4	57
Total	**1,679**	**1,408**	**1,789**

The “Noncurrent provisions” item mainly includes provisions for retirement benefits, provisions for disputes with third parties, provisions for life annuities as well as noncurrent provisions for taxes.

The "current provisions" item mainly includes provisions for disputes with third parties and current provisions for taxes.

2018

(in MAD million)	2017	charges	Used	change in scope of consolidation	Translation adjustment	Reversals	Reclassification	2018
Noncurrent provisions	**570**	**57**	**-113**	**-**	**-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**	**-**	**-10**	**-53**	**4**	**1,325**
Provisions for voluntary redundancy plan	-							-
Provisions for employee-related expenses	-							-
Provisions for disputes with third parties	834	759	-266		-9	-53	4	1,268
Other provisions	4	54			-1			57
Total	**1,408**	**870**	**-379**	**-**	**-20**	**-67**	**-22**	**1,789**

Total provisions rose by 27% mainly reflecting current provisions. The upward trend is explained by the increase in provisions for litigation.

At the same time, non-current provisions declined due to the decrease in the balance of provisions for retirement benefits, mainly due to changes in actuarial assumptions.

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**	**-**	**39**	**-424**	**-104**	**1,408**

2016

(En millions MAD)	2015	charges	Used	change in scope of consolidation	Translation adjustment	Reversals	Reclassification	2016
Noncurrent provisions	**535**	**53**	**-55**	**-**	**-9**	**-72**	**18**	**470**
Provisions for life annuities	19		-1					18
Provisions for termination benefits	381	42	-45	-	-9	-2	33	400
Provisions for disputes with third parties	29	7	-9	-	0		1	28
Other provisions	106	4		-	0	-69	-16	23
Current provisions	**834**	**624**	**-155**	**-**	**-16**	**-37**	**-42**	**1,208**
Provisions for voluntary redundancy plan	131	255						386
Provisions for employee-related expenses								-
Provisions for disputes with third parties	365	369	-135	-	-16	-37	275	822
Other provisions	338		-20		0		-317	-
Total	**1,369**	**677**	**-210**	**-**	**-25**	**-109**	**-24**	**1,679**

NOTE 15. BORROWINGS AND OTHER FINANCIAL LIABILITIES

15.1. Net cash position

(in MAD million)	2016	2017	2018
Bank loans due in more than one year	4,666	4,200	3,475
Bank loans due in less than one year	2,551	2,913	2,748
Bank overdrafts	7,559	7,977	9,381
Borrowing and other financial liabilities	**14,775**	**15,090**	**15,605**
Cash and cash equivalents	2,438	2,010	1,700
Cash held in escrow for repayment of bank loans	48	38	34
Net cash position	**-12,289**	**-13,042**	**-13,872**

(in MAD million)	2016	2017	2018
Outstanding debt and accrued interest (a)	14,775	15,090	15,605
Cash assets (b)	2,486	2,048	1,733
Net cash position (b)-(a)	**-12,289**	**-13,042**	**-13,872**

The change in the Group's financial liabilities is explained by:

- Increase in debt by subsidiaries with credit institutions in the amount of MAD 995 million;
- Increase in bank overdrafts in the amount of MAD 1,933 million mainly in Morocco;
- Repayment of the euro-denominated line of credit granted by Etisalat to Maroc Telecom in the amount of MAD 1,154 million;
- Repayment of financial debts and bank overdrafts by subsidiaries in the amount of MAD 1,122 million.

15.2. Net cash by maturity

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

2018

(in MAD million)	<1 year	1-5 years	>5 years	Total
Bank loans	2,748	3,433	43	6,223
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
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**

2016

(in MAD million)	<1 year	1-5 years	>5 years	Total
Bank loans	2,551	4,641	25	7,217
Bank overdrafts	7,559			7,559
Borrowing and other financial liabilities	**10,110**	**4,641**	**25**	**14,775**
Cash and cash equivalents	2,438			2,438
Cash held in escrow for repayment of bank loans	48			48
Net cash position	**-7,623**	**-4,641**	**-25**	**-12,289**

15.3 Statement of analysis

Company	Borrowing (in MAD million)	Currency	Maturity	2016	2017	2018
Maroc Telecom	Emprunt ETISALAT	EUR	janvier-19	2,881	1,882	728
Maroc Telecom	Emprunt ETISALAT	USD	novembre-19	1,979	1,979	1,979
Maroc Telecom	Banques, découverts IAM	MAD	-	7,064	7,535	8,118
Mauritel	Contrat de Leasing ZTE 42 site solaire	USD	mai-17	3		
Mauritel	Contrat de Leasing ZTE 12 site solaire	USD	avril-18	3	1	0
Mauritel	Contrat de Leasing ZTE 50 site solaire	USD	août-19	20	12	5
Mauritel	Emprunt QNB	MRO	juillet-19	105	64	28
Mauritel	Emprunt ETTIJARI	MRO	juillet-19	53		
Mauritel	Découvert Mauritel	MRO	-	1	73	49
Onatel	Emprunt AFD1110-1111	EUR	octobre-18	4	2	0
Onatel	Emprunt BIB 2008	FCFA	-			
Onatel	Crédits spot Onatel	FCFA	-	179		
Onatel	CREDIT SPOT BICIA B ONATEL	FCFA	30-avr.-18		86	84
Onatel	CREDIT SPOT SGBF ONATEL	FCFA	30-avr.-18		43	7
Onatel	CREDIT SPOT SGBF ONATEL	FCFA	30-avr.-18		86	80
Onatel	CREDIT SPOT CBAO ONATEL	FCFA	mai-18		51	53
Onatel	CREDIT SPOT ORABANK ONATEL	FCFA	avril-19			20
Onatel	CREDIT SPOT BICIA B ONATEL 2	FCFA	avril-19			45
Onatel	Emprunt BICIA 2011 Telmob	FCFA	juillet-16			
Onatel	Emprunt SGBB 2012(2 MLRS)	FCFA	mai-17	3		
Onatel	Emprunt SGBB 2012(3 MLRS)	FCFA	novembre-17	10		
Onatel	Emprunt BIB 2013	FCFA	octobre-18	41		
Onatel	Emprunt BICIA 2014	FCFA	mai-20	114	86	
Onatel	Emprunt BICIA 2016	FCFA	mai-22	82	87	68
Onatel	Emprunt CBAO 2015	FCFA	mai-21	73	60	42
Onatel	Emprunt SGBB 2015	FCFA	mai-21	73	60	42
Onatel	Banques, découverts ONATEL	FCFA	décembre-19	16	3	32
Onatel	Emrpunt BICIA B 2014	FCFA	mai-20			
Gabon Télécom	Emprunt AFD	FCFA	-	2	2	2
Gabon Télécom	Emprunt UGB	FCFA	décembre-20		367	359
Gabon Télécom	Emprunt UGB	FCFA	décembre-20	194	166	200
Gabon Télécom	Banques, découverts GT	FCFA				35
Sotelma	Emprunt DGDP/CFD OP	FCFA	avril-20	1	1	0
Sotelma	Emprunt AFD OE/CML 1026 01 S	FCFA	avril-18	5	2	
Sotelma	Emprunt AFD OY/CML 1065 03 X	EUR	octobre-16			
Sotelma	Emprunt DGDP/NKF	FCFA	-	10	10	
Sotelma	Emprunt BIM 47 Milliards	FCFA		575		
Sotelma	Emprunt BIM 58 Milliards	FCFA	avr.-19		871	293
Sotelma	Emprunt BIM 10 Milliards	FCFA	oct.-19		173	97
Sotelma	Emprunt BIM 52 Milliards	FCFA	septembre-16			
Sotelma	Emprunt DGDP/RASCOM	USD				9
Sotelma	Emprunt BAM 13 Milliards	FCFA	décembre-19			219
Sotelma	Banques, découverts Sotelma	FCFA	-	307	7	272
Casanet	Banques, dette financière Casanet	MAD	-		0	
Moov CDI	Emprunt SIB	EUR	août-18	392	182	209
Moov CDI	BANQUE ATLANTIQUE COTE D'IVOIRE	FCFA	2018		150	417
Moov CDI	SIB ICNE	FCFA	décembre-18			3
Moov CDI	BOA	FCFA	mars-19			117
Moov CDI	ECOBANK	FCFA	janvier-19			50
Moov CDI	Banques, découvert Moov CDI	FCFA	-			200
Moov Bénin	Emprunts BABE	FCFA	-	96	63	19
Moov Bénin	Emprunt CAA pour construction câble ACE	FCFA		21	23	22
Moov Bénin	Découverts bancaires Moov Bénin	FCFA	janvier-19			104
Moov Togo	Emprunt ECOBANK	FCFA	novembre-17	39		156
Moov Togo	BANQUE ATLANTIQUE TOGO	FCFA	juillet-21		187	177
Moov Togo	BANQUE ATLANTIQUE TOGO	FCFA	décembre-21		97	
Moov Togo	ECOBANK TOGO 2	FCFA			26	
Moov Togo	CREDIT DE TRESORERIE BOA	FCFA	septembre-19			43
Moov Togo	BIA TOGO	FCFA	juin-23			250
Moov Togo	Banques, découvert Togo	FCFA	-	22	101	263
Moov Niger	Emprunt ECOBANK AT Niger	FCFA	mars-18	201	111	
Moov Niger	Emprunt ERICSSON	USD	décembre-16			
Moov Niger	Emprunt Moov CDI	FCFA	-			
Moov Niger	Banques, découvert Niger	FCFA	-	144	68	
Moov Niger	CMT BOA	FCFA				87
Moov Niger	Decouvert BOA	FCFA			104	11
Moov Niger	Decouvert ECOBANK	FCFA			35	21
Moov Niger	Decouvert CBAO	FCFA			15	53
Moov Niger	EMPRUNT CBAO 1	FCFA	octobre-17		13	7
Moov Niger	EMPRUNT CBAO 2	FCFA	novembre-17		24	11
Moov Niger	EMPRUNT CBAO 3	FCFA	septembre-20		42	15
Moov Niger	CMT BAN	FCFA	décembre-17		85	183
Moov Niger	ORABANK	FCFA				3
Moov Niger	Decouvert CBAO 2	FCFA				217
Moov RCA	Emprunt Ecobank	FCFA	-	53		
Moov RCA	BANQUE POPULAIRE MAROCO	FCFA	1-sept.-22		49	39
Moov RCA	POOL BPMC-CBCA	FCFA	mars-24			56
Moov RCA	Emprunt DPA ERICSSON	USD	janvier-20	5	2	2
Moov RCA	Banques, découvert RCA	FCFA	-	4	4	3
Prestige	Emprunt Banque Atlantique	FCFA	-			
Prestige	Caution (FDFP, Laborex, Reuter, GESTOCI)	FCFA	-			
Moov Gabon	Banque UBA	FCFA	-			
Total Emprunts et autres passifs financiers				**14,775**	**15,090**	**15,605**

NOTE 16. TRADE ACCOUNTS PAYABLE

(in MAD million)	2016	2017	2018
Trade payables and related accounts	15,247	16,265	14,442
Accruals	2,107	2,370	2,798
Other payables	7,272	6,992	6,855
Total	**24,626**	**25,627**	**24,095**

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 2018, operating debt fell by MAD 1,532 million, of which MAD 1,823 million reflects a change in trade payables and related accounts, versus 2017. This change mainly reflects the settlement of trade payables that had come due.

"Other operating debts" mainly reflects tax owed (excluding corporate tax) in the amount of MAD 4,364 million.

NOTE 17. REVENUES

(in MAD million)	2016	2017	2018
Morocco	21,244	20,481	21,414
International	15,326	15,733	16,041
Elimination of transactions between the parent company and subsidiaries	-1,318	-1,250	-1,423
Total consolidated revenues	**35,252**	**34,963**	**36,032**

Maroc Telecom Group's consolidated revenues at the end of December 2018 totaled MAD 36,032 million, up 3.1% compared to the same time the previous year. 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 that of the new subsidiaries.

NOTE 18. COST OF SALES

(in MAD million)	2016	2017	2018
Cost of handsets	793	659	683
Domestic and international interconnection charges	4,290	4,090	4,040
Other cost of sales	1,140	1,188	1,287
Total	**6,223**	**5,937**	**6,011**

The “Other cost of sales” item mainly comprises purchases of energy (fuel and electricity) and top-up cards.

Cost of sales remained relatively unchanged in 2018 versus the previous year (up 1.2%).

NOTE 19. PAYROLL COSTS

(in MAD million)	2016	2017	2018
Wages	2,796	2,654	2,472
Payroll taxes	463	484	419
Wages and taxes	**3,260**	**3,138**	**2,891**
Payroll costs	**3,260**	**3,138**	**2,891**
Average headcount (in number of employees)	**12,162**	**11,022**	**10,714**

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 2018, personnel expenses declined by MAD 247 million, in line with the Group's average workforce.

NOTE 20. TAXES, DUTIES, AND FEES

(in MAD million)	2016	2017	2018
Taxes and duties	1,096	873	772
Fees	1,876	1,964	2,046
Total	**2,971**	**2,838**	**2,818**

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

Total taxes, duties and fees in 2018 were unchanged from the previous year. The taxes and duties component fell by 12% from the previous year, mainly reflecting the reassessments and penalties levied in 2017.

NOTE 21. OTHER OPERATING INCOME AND EXPENSES

(in MAD million)	2016	2017	2018
Communication	809	822	825
Commissions	1,745	1,845	1,946
Other including:	2,931	**3,517**	**3,151**
Rental expenses	936	852	903
Maintenance, repair, and property-service charges	962	1,020	1,027
Fees	706	763	850
Postage and banking service	145	149	141
Voluntary redundancy plan		620	11
Other	183	113	219
Total	**5,485**	**6,183**	**5,923**

In 2018, other operating income and expenses decreased by 10%. This change is mainly due to the significant decrease in expenses related to the voluntary redundancy plan implemented in 2017.

The "Other" item primarily includes foreign exchange gains and losses on operations, transfers of operating expenses and gains or 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, 2016, 2017, and 2018:

(in MAD million)	2016	2017	2018
Depreciation and impairment of fixed assets	6,489	6,610	6,821
Net provisions and impairment	-355	-54	516
Total	**6,845**	**6,557**	**7,337**

Net allocations to depreciation, impairment and provisions totaled MAD 7,337 million at end-December 2018, versus MAD 6,557 million at end-Decembe 2017. This change is mainly explained by the increase in fixed assets due to the acquisition of the 4G licenses in the subsidiaries.

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, 2016, 2017, and 2018:

(in MAD million)	2016	2017	2018
Impairment of trade receivables	-78	178	153
Impairment of inventories	-18	-22	-21
Impairment of other receivables	-4	22	21
Provisions	-256	-232	363
Net charges and reversals	**-355**	**-54**	**516**

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, 2016, 2017, and 2018:

(in MAD million)	2016	2017	2018
Impairment of trade receivables	78	178	153
Impairment of inventories	18	-22	-21
Impairment of other receivables	4	22	21
Provisions	256	-232	363
Net charges and reversals	**355**	**-54**	**516**

NOTE 23. INCOME FROM EQUITY AFFILIATES

No equity interest was accounted for by the equity method in 2016, 2017, or 2018.

NOTE 24. NET FINANCIAL INCOME OR EXPENSE

24.1 Borrowing costs

(in MAD million)	2016	2017	2018
Income from cash and cash equivalents	10	6	3
Interest expense on loans	-333	-497	-527
Net borrowing costs	**-322**	**-491**	**-524**

Net borrowing costs include interest expense on loans less income from cash and cash equivalents (investment income).

Interest expense on loans rose a slight 6%. This change is due to the increase in the Group's debt.

24.2 Other financial income and expense

(in MAD million)	2016	2017	2018
Foreign-exchange gains and losses	5	5	64
Other financial income (+)	83	84	149
Other financial expenses (-)	-211	-89	-115
Other financial income and expenses	**-124**	**-1**	**99**

Other financial income and expenses increased by MAD 26 million.

The item "Other financial income" includes income from non-consolidated equity investments and reversals of provisions for securities.

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, 2016, 2017, and 2018:

(in MAD million)	2016	2017	2018
Income tax expense	3,221	3,199	3,591
Deferred tax	146	-2	40
Provisions for tax	-20	11	45
Current tax	**3,347**	**3,208**	**3,677**
Consolidated effective tax rate*	**34%**	**33%**	**35%**

(in MAD million)	2016	2017	2018
Net earnings	6,628	6,579	6,938
Income tax expense	3,367	3,197	3,632
Provision for tax	-20	11	45
Pretax earnings	**9,975**	**9,787**	**10,615**
Moroccan statutory tax rate	31%	31%	31%
Theoretical income tax expense	3,092	3,034	3,291
Impact of changes in tax rate	-80	-91	-81
Other differences**	334	265	467
Effective income tax expense	3,347	3,208	3,677

A provision for income taxes was recorded in 2018 for MAD46 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%
Prestige Côte d'Ivoire	30.0%

NOTE 26. NONCONTROLLING INTERESTS

(in MAD million)	2016	2017	2018
Total noncontrolling interests	**1,031**	**873**	**928**

Non-controlling interests represent the claims of shareholders other than Maroc Telecom to the earnings of Mauritel, Onatel, Gabon Telecom, Sotelma, AT CDI and AT Togo.

In 2018, non-controlling interests rose by 6% due to the growth in income of the Group's subsidiaries.

NOTE 27. EARNINGS PER SHARE

27.1 Earnings per share

(in MAD million)	2016		2017		2018	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings, Group share	5,598	5,598	5,706	5,706	6,010	6,010
Adjusted net earnings, Group share	5,598	5,598	5,706	5,706	6,010	6,010
Number of shares (millions)	879	879	879	879	879	879
Earnings per share (in MAD)	6.37	6.37	6.49	6.49	6.84	6.84

27.2 Change in the number of shares

(In number of shares)	2016	2017	2018
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

2018

(in MAD million)	Maroc	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 Maroc Telecom Group
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

2016

(in MAD million)	Morocco	International	Eliminations	Total Maroc Telecom Group
Noncurrent assets	36,172	22,446	-12,296	46,322
Current assets	8,413	8,526	-1,966	14,974
Total assets	**44,585**	**30,972**	**-14,261**	**61,296**
Shareholders'equity	17,600	10,679	-8,981	19,298
Noncurrent liabilities	4,051	4,666	-3,315	5,402
Current liabilities	22,934	15,628	-1,966	36,596
Total shareholders'equity and liabilities	**44,585**	**30,972**	**-14,261**	**61,296**
Acquisitions of PP&E and intangible assets	3,906	4,077		7,983

28.2 Segment earnings by geographical area

2018

(in MAD million)	Morocco	International	Eliminations	Total Maroc Telecom Group
Revenues	21,414	16,041	-1,423	**36,032**
Earnings from operations	7,618	3,434	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 Maroc Telecom Group
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**

2016

(in MAD million)	Morocco	International	Eliminations	Total Maroc Telecom Group
Revenues	21,244	15,326	-1,318	**35,252**
Earnings from operations	6,901	3,568		**10,468**
Net depreciation and impairment	3,846	2,643		**6,489**
Voluntary redundancy plan				**0**

NOTE 29. RESTRUCTURING PROVISIONS

(in MAD million)	Morocco	International	Total Maroc Telecom Group
Balance at Jan. 01, 2016	**131**	**0**	**131**
Change in scope and adjustment of allocation of acquisition price			
Allocated	255		255
Used			
Reversed			
Balance at Dec. 31, 2016	**386**	**0**	**386**
Change in scope and adjustment of allocation of acquisition price			
Allocated			
Used			
Reversed	-386		-386
Balance at Dec. 31, 2017	**0**	**0**	**0**
Change in scope and adjustment of allocation of acquisition price			
Allocated			
Used			
Reversed			
Balance at Dec. 31, 2018	**0**	**0**	**0**

NOTE 30. RELATED-PARTY TRANSACTIONS

30.1. Compensation of corporate officers, senior managers, and directors in 2016, 2017, and 2018

(In MAD million)	2016	2017	2018
Short-term benefits (1)	55	84	96
Termination benefits (2)	65	105	117

30.2. Equity affiliates

In 2016, 2017 and 2018 no company is consolidated by the equity method.

30.3. Other related parties

Maroc Telecom conducted transactions in 2018 mainly with Emirates Telecommunications Corporation, EDCH, and Etihad Etisalat Company (Mobily), and other related companies as part of the strategic cooperation with the Etisalat group. These different transactions are summarized as follows:

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

2018

(in MAD million)	Etisalat	EDCH	Mobily	Other
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

2016

(in MAD million)	Etisalat	Mobily
Revenues	163	7
Expenses	21	5
Receivables	24	6
Payables	4,863	3

NOTE 31. CONTRACTUAL COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

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

(in MAD million)	Total	Less than 12 months	1-5 years	>5 years
Long-term debt	15,605	12,129	3,475	0
Capital lease obligations	3		3	0
Operating leases	151	78	73	0
Irrevocable purchase commitments				
Other long-term commitments				
Total	**15,759**	**12,207**	**3,551**	**0**

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

Commitments given

The commitments given include :

(In millions MAD)	2016	2017	2018
Commitment given	**8,779**	**6,627**	**3,147**
Investment commitment	6,918	4,719	1,499
Outgoing commitments and signature with banks	1,297	1,532	1,030
Operating and financing lease commitments	65	113	154
Satellite rental commitments	45	44	34
Other commitments	**411**	**217**	**427**
Network maintenance contracts with Ericsson	387	183	82
Commitments on operating expenses	24	34	345
Other commitments	**44**	**2**	**2**
Recovery of guarantees given by Etisalat on the financing of the Atlantic subsidiaries	44	2	2
Forward sale commitment	0	0	0

Commitments received

The commitments received include:

(In millions MAD)	2016	2017	2018
Commitments received	**1,233**	**1,289**	**1,327**
Guarantees and endorsements	1,233	1,289	1,327
Other commitments received	0	0	0
Forward purchase commitment	0	0	0
Commitment of the Moroccan State to contribute the assets of social works	0	0	0
Investment agreement: 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 committing solely to credit transactions with merchant banks or financial institutions that have a high credit rating and by splitting its transactions among selected institutions.

Maroc Telecom's receivables show no major concentration of credit risk, as their dilution ratio is high.

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, at December 31, 2018, euro-denominated outflows in foreign currencies accounted for 67% of total outflows in foreign currencies total outflows MAD 4,257 million. In 2018, these outflows in foreign currencies were less than inflows in foreign currencies amounting to MAD 5,613 million.

Internationally, at December 31, 2018, dollar-denominated outflows in foreign currencies accounted for 26% of total outflows in foreign currencies, totaling MAD 4,346 million. In 2018, these outflows in foreign currencies were more than inflows in foreign currencies amounting to MAD 598 million.

In addition, Maroc Telecom Group held debt of MAD 15,605 million at December 31, 2018 vs. MAD 15,090 million at December 31, 2018. The bulk of this debt is denominated in Euro and MAD:

(in MAD million)	2016	2017	2018
Euro	3,277	2,067	937
Moroccan dirham	7,064	7,535	8,118
Other (mainly CFA franc)	4,434	5,488	6,550
Current debt	**14,775**	**15,090**	**15,605**

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 2018, the euro slipped by 1.78% against the dirham (from 11.1870 dirhams per euro on Sunday, December 31, 2017 to 10.9875 on Monday, December 31, 2018). Over the same period, the US dollar rose by 3.03%, from 9.3295 dirhams per dollar at December 31, 2017, to 9.6121 at December 31, 2018.

The subsidiaries whose accounting currency is the CFA franc and the Mauritanian subsidiary whose currency is the ouguiya increase the Group's exposure to currency risk, particularly as regards to fluctuations in the exchange rate of the euro and the ouguiya against the dirham.

However, based on the Group's 2018 financial statements, a 1% devaluation of the dirham against the euro would have the following limited impacts:

- revenues = + MAD 156 million
- earnings from operations = + MAD 40 million
- net earnings, Group share = + MAD 17 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.

(in MAD million)	Euro /FCFA	USD	MRO	Total foreign currencies	MAD	Final balance
Total assets	28,518	318	1,618	2	31,675	62,131
Total shareholders' equity and liabilities	-16,872	-1,017	-1,030	-8	-43,204	-62,131
Net position	**11,646**	**-699**	**588**	**-6**	**-11,529**	**0**

The Group has a currency hedging arrangement in the form of a forward swap (euro/dollar) on US dollar-denominated borrowing.

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, 2018:

(in MAD million)	Euro [(2)]	USD [(2)]	Other currencies (against the euro*) [(1)]
Assets	1,349	64	2
Liabilities	-367	-274	-8
Net position	982	-210	-6
Commitments [(3)]	-154	-176	
Aggregate net position	**828**	**-386**	**-6**

* based on 1 euro = 10.8975 dirhams, the Bank-Al Maghrib average rate at Dec.31, 2018.

Liquidity risk:

Maroc Telecom estimates that the cash flows generated by its operating activities, its holdings of cash and cash equivalents, and funds available via lines of credit, will be sufficient to cover the disbursements and capital expenditures necessary for its operations, for servicing its debt, for dividend payments, and for external growth operations in progress on December 31, 2018.

Interest-risk :

Maroc Telecom Group's debt is mainly at a fixed rate of interest. As the variable-rate component of its debt is relatively small, Maroc Telecom Group is not significantly exposed to favorable or unfavorable fluctuations in interest rates.

NOTE 33. EVENTS AFTER THE END OF THE REPORTING PERIOD

33.1 HIGHLIGHTS:

None.

(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.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

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, 2018, 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 19,490 including a consolidated net profit of MMAD 6,938.

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, 2018, 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.

Casablanca, February 16th, 2019

The Statutory auditors

DELOITTE AUDIT	**ABDELAZIZ ALMECHATT**
French original sign 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

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