Rabat, February 14, 2020

Management Report
Fiscal year *2019*

Summary

Dear Shareholders,

In accordance with Article 141 of Law 17-95 of August 30th, 1996, as amended and completed , and with the agenda that was sent to you, we hereby present the Management Report issued by the Management Board of the Shareholders' Meeting of Itissalat Al-Maghrib ('Maroc Telecom') which reports on our company's activities, results of operations and financial statements as of December 31th, 2019.

1. 2019 Highlights

In 2019, in a constantly changing telecommunications market, Maroc Telecom Group improved its performance, increasing profits beyond its annual objectives. The relevance of its strategy has been corroborated by performing networks combined with a range of services tailored to its customers both in its domestic market and its subsidiaries. Profitability strengthened thanks to a robust cost management.

Strengthened by a stronger operational and financial position, Maroc Telecom will pursue in 2020 its investment efforts and will accelerate the digitization in order to improve the customer experience and the operational efficiency of its organization.

In 2019, Maroc Telecom Group generated total revenues(1) of MAD 36,517 million, up 1.3% (+0.9% on a like-for-like basis(2)). This performance reflects both the continued growth in activities in Morocco and the resilience of international activities despite the increased competition and regulatory pressure.

The Group customer base reaches 67.5 million customers, up 11.1%. This growth was due both to the Mobile and Fixed line customer bases in Morocco (+5.2% and 3.5% respectively) and the extension of the Group's scope with the consolidation of Tigo Chad as a subsidiary in July 2019.

In Morocco, the Mobile customer base(3) totaled 20.1 million customers by the end of 2019, up 5.2% year-on-year, thanks to combined increases of Postpaid and Prepaid by 15.5% and 4.0% respectively.

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

In a difficult competitive and regulatory environment, the Group's international activities generated revenues of MAD 16,095 million, practically unchanged compared with the same period in 2018 (+0.3% on a reported basis and -0.6% on a like-for-like basis(2)). This change is mainly attributable to the reduction in Mobile termination rates and in international incoming revenues, partially offset by the increase in Mobile Data and Mobile Money services. Excluding the impact of the reduction in call termination rates, revenues were up 1.2% on a like-for-like basis[(2)].

The subsidiaries customer base numbered 44.0 million customers, up 14.6% driven mainly by the expansion of the Group's scope.

As part of the implementation of the 2019 Budget Act, the Moroccan Government sold off 8% of the capital and voting rights in Itissalat Al-Maghrib in the form of blocks of shares on June 17, 2019 (6% of capital) and of a public offer sale closed on July 16, 2019 (2% of capital). After the completion of this transaction, the Kingdom of Morocco holds directly 22% of the capital and voting rights in Maroc Telecom.

As of January 27, 2020, the decision of the ANRT management committee relating to anti-competitive practices on the fixed-line market and fixed broadband internet access has been notified to Maroc Telecom. The decision relates to a financial penalty and injunctions.

Third operator’s legal claim on unbundling is still being examined by the Commercial Court of Rabat.

Tigo Chad was added into the consolidation scope of the group's accounts from July 1, 2019.

In the subsidiaries, Onatel launches 4G after obtaining a global mobile license fully paid in 2019.

The 4G licensing process continues in Mauritania.

Mobile termination rate have fallen in Mali, Côte d'Ivoire, Niger, Burkina Faso, Mauritania and Chad

Taxes and sectoral fees weigh more and more on the profitability of subsidiaries.

2. Group consolidated adjusted results*

(IFRS in MAD million)	Q4-2018	Q4-2019	Change	Change on a like-for-like basis[2]	2018	2019	Change	Change on a like-for-like basis[2]
Revenues	8,895	**9,209**	**+3.5%**	**+1.0%**	36,032	36,517	**+1.3%**	**+0.9%**
EBITDA	4,381	**4,525**	**+3.3%**	**-1.2%**	17,856	18,922	**+6.0%**	**+3.4%**
Margin (%)	*49,3%*	***49,1%***	***-0.1 pt***	***-1.1 pt***	*49,6%*	*51,8%*	***+2.3 pt***	***+1.2 pt***
Adjusted EBITA	2,589	**2,552**	**-1.4%**	**-2.2%**	11,052	11,540	**+4.4%**	**+4.3%**
Margin (%)	*29.1%*	***27.7%***	***-1.4 pt***	***-0.9 pt***	*30.7%*	*31.6%*	***+0.9 pt***	***+1.0 pt***
Group Share of adjusted Net Income	1,393	**1,382**	**-0,8%**	**+0,1%**	6,005	6,029	**+0.4%**	**+1.0%**
Margin (%)	*15,7%*	***15,0%***	***-0,7 pt***	***-0,1 pt***	*16,7%*	*16,5%*	***-0.2 pt***	***+0.0 pt***
CAPEX[4]	1,991	**2,184**	**+9,7%**	**+10,3%**	6,643	6,788	**+2.2%**	**+3.5%**
Of which frequencies and licenses	245	**102**			719	1,418		
CAPEX/Rev (excluding frequencies and licenses)	*19,7%*	***22,7%***	***+3,0 pt***	***+3,0 pt***	*16,4%*	*14,7%*	***-1.7 pt***	***-1.7 pt***
Adjusted CFFO	2,537	**4,185**	**64,9%**	**+62,9%**	9,982	13,352	**+33.8%**	**+29.0%**
Net Debt	13,872	**17,350**	**+25,1%**	**+11,2%**	13,872	17,350	**+25.1%**	**+11.2%**
Net debt / EBITDA[5]	0.8x	**0.9x**			0.8x	0.9x		

** Details of the financial indicator adjustments are provided in section 5. Change from adjusted financial indicators to published financial indicators.*

► Revenues

In 2019, Maroc Telecom Group generated total revenues[1] of MAD 36,517 million, up 1.3% (+0.9% on a like-for-like basis[2]). This performance reflects both the continued growth in activities in Morocco and the resilience of international activities in the face of increased competitive and regulatory pressures.

In the fourth quarter alone, the Group's revenues were up 3.5% (+1.0% on a like-for-like basis[2]), thanks to the sustained growth of Mobile Data in Morocco and in the subsidiaries.

▶ Earnings from operations before depreciation and amortization

Thanks to a robust management of costs, Maroc Telecom Group earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 18,922 million at the end of 2019, up 3.4% on a like-for-like basis(2). The EBITDA margin reached 51.8%, up 1.2 pt on a like-for-like basis(2).

▶ Earnings from operations

At the end of 2019, Maroc Telecom Group's adjusted earnings from operations (EBITA)(6) amounted to MAD 11,540 million, up 4.3% on a like-for-like basis(2). This increase was mainly due to an increased EBITDA. The adjusted EBITA margin increased by 0.9 pt (+1.0 pt on a like-for-like basis(2)) to 31.6%.

▶ Group share of net income

The Group share of adjusted Net Income was up 1.0% on a like-for-like basis(2), thanks mainly to the growth of activities in Morocco.

▶ Investments

The capital expenditures(4) reached MAD 6,788 million up 2.2% year-on-year and representing 14.7% of revenues (excluding frequencies and licences). This level of capital expenditures remains in line with the stated objective for the year.

▶ Cash Flow

Adjusted Cash Flow From Operations (CFFO)(7) was up 33.8% (+29.0% on a like-for-like basis(2)), to MAD 13,352 million due to the increased EBITDA and effective management of working capital requirements (WCR).

At December 31, 2019, Maroc Telecom Group's consolidated net debt(8) represented 0.9 time the Group's annual EBITDA excluding the impact of IFRS16.

▶ ANRT decision

The decision taken by the Management Committee of the ANRT on January 17, 2020, relating to anti-competitive practices on the fixed-line market and fixed broadband internet access, has been notified to Maroc Telecom on January 27, 2020.

This binding decision concerns a financial penalty of MAD 3.3 billion and injunctions relating to the technical and pricing aspects of the local loop unbundling.

In view of the recent, complex and exceptional nature of the decision received, Maroc Telecom is studying the file.

As required by law, Maroc Telecom has the option to lodge an appeal with the court of appeal within 30 days from the notification of the decision.

In this context, Maroc Telecom has made a provision in its accounts as of 31 December 2019 for an amount of MAD 3.3 billion.

3. Outlook for Maroc Telecom group for 2020

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

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

4. Review of the group's activities

Details of the financial indicator adjustments for "Morocco" and "International" are provided in section 5.Change from adjusted financial indicators to published financial indicators

4.1 Morocco

(IFRS in MAD million)	Q4-2018	Q4-2019	Change	Change on a like-for-like basis(2)	2018	2019	Change	Change on a like-for-like basis(2)
Revenues	5,319	**5,378**	**+1.1%**		21,414	**21,690**	**+1.3%**	
Mobile	3,465	**3,557**	**+2.7%**		13,966	**14,276**	**+2.2%**	
Services	*3,401*	***3,523***	***+3.6%***		*13,731*	***14,046***	***+2.3%***	
Equipment	*64*	***35***	***-45.5%***		*235*	***230***	***-2.0%***	
Fixed-Line	2,300	**2,306**	**+0.2%**		9,239	**9,261**	**+0.2%**	
*O/w Data Fixed line**	*755*	***886***	***+17.3%***		*2,935*	***3,186***	***+8.5%***	
Eliminations and other income	*-446*	***-485***			*-1,790*	***-1,846***		
EBITDA	2,901	**2,948**	**+1.6%**	**-0.6%**	11,460	**12,294**	**+7.3%**	**+5.3%**
Margin (%)	*54.5%*	***54.8%***	***+0.3 pt***	***-0.9 pt***	*53.5%*	***56.7%***	***+3.2 pt***	***+2.1 pt***
Adjusted EBITA	1,876	**1,917**	**+2.2%**	**+2.2%**	7,620	**8,294**	**+8.8%**	**+8.5%**
Margin (%)	*35.3%*	***35.6%***	***+0.4 pt***	***+0.4 pt***	*35.6%*	***38.2%***	***+2.7 pt***	***+2.5 pt***
CAPEX(4)	959	**1,289**	**+34.5%**		2,749	**3,022**	**+9.9%**	
Of which frequencies and licenses		***102***				***102***		
CAPEX/Rev (excluding frequencies and licenses)	*18.0%*	***22.1%***	***+4.1 pt***		*12.8%*	***13.5%***	***+0.6 pt***	
Adjusted CFFO	2,001	**3,000**	**+49.9%**	**+46.8%**	7,498	**9,425**	**+25.7%**	**+22.7%**
Net Debt	10,422	**11,101**	**+6.5%**	**-2.1%**	10,422	**11,101**	**+6.5%**	**-2.1%**
Net debt / EBITDA(5)	0.9x	**0.9x**			0.9x	**0.8x**		

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

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

At the end of 2019, earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 12,294 million, up 7.3% (+5.3% on a like-for-like basis(2)), thanks to the improvement of gross margin and the reduction in operational costs. The EBITDA margin was thus unchanged at the high rate of 56.7%, up 2.1 pt on a like-for-like basis[(2)].

The adjusted earnings from operations (EBITA)[(6)] reached MAD 8,294 million, up 8.8% (+8.5% on a like-for-like basis[(2)]) thanks to the increase in EBITDA. The adjusted EBITA margin was 38.2%, up 2.5 pt on a like-for-like basis[(2)].

Adjusted Cash Fows From Operations (CFFO)[(7)] in Morocco were up 22.7% (on a like-for-like basis[(2)]), to MAD 9,425 million, in connection with the increase in EBITDA and optimal management of working capital requirements.

- ***Mobile***

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

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

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

- ***Fixed line and Internet***

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

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

4.2 International

Financial indicators

(IFRS in MAD million)	Q4-2018	Q4-2019	Change	**Change on a like-for-like basis[(2)]**	2018	2019	Variation	**Change on a like-for-like basis[(2)]**
Revenues	3,891	**4,102**	**+5,4%**	**-0.2%**	16,041	**16,095**	**+0.3%**	**-0.6%**
Of which Mobile Services	3,547	**3,752**	**+5,8%**	**-0.5%**	14,647	**14,693**	**+0.3%**	**-0.8%**
EBITDA	1,481	**1,576**	**+6.5%**	**-2.3%**	6,397	**6,629**	**+3.6%**	**+0.0%**
Margin (%)	*38.0%*	***38.4%***	***+0.4 pt***	***-0.8 pt***	*39.9%*	***41.2%***	***+1.3 pt***	***+0.2 pt***
Adjusted EBITA	713	**635**	**-10,9%**	**-13,5%**	3,431	**3,246**	**-5.4%**	**-5.0%**
Margin (%)	*18,3%*	***15,5%***	***-2,8 pt***	***-2,3 pt***	*21.4%*	***20.2%***	***-1.2 pt***	***-0.9 pt***
CAPEX[(4)]	1,032	**895**	**-13.3%**	**-12.1%**	3,894	**3,766**	**-3.3%**	**-1.0%**
Of which frequencies and licenses	*245*				*719*	***1,316***		
CAPEX/Rev (excluding frequencies and licenses)	*20.3%*	***21.9%***	***+1.6 pt***	***+3.1 pt***	*19.8%*	***15.2%***	***-4.6 pt***	***-3.9 pt***
Adjusted CFFO	536	**1 185**	**ns**	**ns**	2,484	**3,927**	**+58.1%**	**+47.3%**
Net debt	6,514	**8,748**	**+34.3%**	**+18.1%**	6,514	**8,748**	**+34.3%**	**+18.1%**
Net debt / EBITDA[(5)]	1.1x	**1.3x**			1.0x	**1.3x**		

In a difficult competitive and regulatory environment, the Group's international operations generated revenues of 16,095 million Moroccan Dirhams, practically unchanged compared with the same period in 2018 (+0.3% on a reported basis and -0.6% on a like-for-like basis[(2)]). This change is mainly attributable to the reduction in Mobile termination rates and in international incoming revenues, partially offset by the increase in Mobile Data and Mobile Money services. Excluding the impact of the reduction in call termination rates, revenues were up 1.2% on a like-for-like basis[(2)].

In 2019, earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 6,629 million, unchanged on a like-for-like basis[(2)]. The EBITDA margin rose 0.2 points on a like-for-like basis[(2)] to 41.2%.This performance was due to an improved gross margin related to the reduction in call termination, despite the fiscal and sectoral growing pressure in certain countries. Excluding the impact of fiscal and sectoral taxes, the EBITDA margin would have been improved by 1.7 pt.

Over the same period, adjusted earnings from operations (EBITA)[(6)] were down 5.4% (-5.0% on a like-for-like basis[(2)]) to MAD 3,246 million, owing to increased amortization and depreciation expenses.

Adjusted cash flows from operations (CFFO)[7] from International activities were up by 58.1% (+47.3% on a like-for-like basis[2]) to MAD 3,927 million. This performance is explained by optimal management of working capital requirements.

Operating indicators

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

5. Positions held by the members of the Supervisory Board

Name	Current title and primary occupation	Date of appointment	Term of office ends	Primary occupation or employment
Mohamed BENCHÂABOUN	Chairman	Supervisory Board meeting of December 7, 2018	Ordinary Shareholders' Meeting called to approve the 2024 financial statements	Minister of Economy and of Finance
Obaid Bin Humaid AL TAYER*	Deputy Chairman	Supervisory Board meeting of December 6, 2019	Ordinary Shareholders' Meeting called to approve the 2024 financial statements	Chairman of Etisalat Group
Abdelouafi LAFTIT	Member	Supervisory Board meeting of July 21, 2017	Ordinary Shareholders' Meeting called to approve the 2024 financial statements	Minister of the Interior
Abderrahmane SEMMAR	Member	Supervisory Board meeting of July 22, 2016	Ordinary Shareholders' Meeting called to approve the 2024 financial statements	Director for Public Enterprises and Privatization at the Ministry for Economy
Hatem DOWIDAR	Member	Supervisory Board meeting of July 22, 2016	Ordinary Shareholders' Meeting called to approve the 2024 financial statements	Managing Director of Etisalat International
Saleh Al ABDOOLI	Member	Supervisory Board meeting of December 9, 2016	Ordinary General Meeting called to approve the 2021 financial statements	Managing Director of Etisalat Group
Mohammed Saif AL SUWAIDI	Member	Supervisory Board meeting of May 15, 2014	Ordinary Shareholders' Meeting called to approve the 2024 financial statements	Director General of Abu Dhabi *Fund for Development*
Mohammed Hadi AL HUSSAINI	Member	Supervisory Board meeting of May 15, 2014	Ordinary Shareholders' Meeting called to approve the 2024 financial statements	Director of Etisalat Group
Serkan OKANDAN	Member	Shareholders' Meeting of September 23, 2014	Ordinary Shareholders' Meeting called to approve the 2019 financial statements	Chief Financial Officer of Etisalat Group

**In place of Mr. Eissa Mohammed GHANEM AL SUWAIDI who was appointed by the Supervisory Board on 15 May 2014 and held the position of Chairman of the Etisalat Group*

Mohamed BENCHÂABOUN

Chairman

Nationality: Moroccan

Business address: Ministry of Economy and Finance

Current offices

None

Obaid Bin Humaid AL TAYER

Deputy Chairman

Nationality: Emirati

Business address: Etisalat – intersection of Sheikh Zayed the First Street and Sheikh Rashid bin Saeed Al Maktoum Road, PO 3838, Abu Dhabi

Current offices

- Etisalat Group, Chairman
- Emirati Development Bank, Chairman of the Board of Directors
- Emirates General Petroleum Corporation, Chairman of the Board of Directors
- Al Etihad Credit Bureau, Chairman of the Board of Directors
- General Fiscal Authority, Deputy Chairman
- Emirati Investment Authority, member of the Board of Directors and Chairman of the Executive Committee
- General Authority for Retirement and Social Security, Deputy Chairman
- Real Estate Authority, Deputy Chairman
- Arab Bank for Economic Development, Governor
- Multilateral Investment Guarantee Agency, Governor
- Arab Investment and Export Credit Guarantees Corporation, Governor
- International Islamic Society for Trade Finance, Governor

Abdelouafi LAFTIT

Nationality: Moroccan

Business address: Ministry of the Interior

Current offices

None

Abderrahmane SEMMAR

Nationality: Moroccan

Business address: Ministry of Economy and Finance

Current offices

None

Hatem DOWIDAR

Nationality: Egyptian

Business address: Etisalat – intersection of Sheikh Zayed the First Street and Sheikh Rashid bin Saeed Al Maktoum Road, PO 3838, Abu Dhabi

Current offices

- Etisalat Egypte, Board member
- PTCL (Pakistan), Board member
- Ufone (Pakistan), Board member
- Barclays (Egypte), Board member

Saleh AL ABDOOLI

Nationality: Emirati

Business address: Etisalat – intersection of Sheikh Zayed the First Street and Sheikh Rashid bin Saeed Al Maktoum Road, PO 3838, Abu Dhabi

Current offices

- Etisalat Egypte, Deputy Chairman
- Etisalat Services Holding Company (UAE), Chairman
- Mobily (Saoudi Arabia), Board Member, representing Etisalat
- Thuraya (UAE), Chairman

Mohammed Saif AL SUWAIDI

Nationality: Emirati

Business address: Etisalat – intersection of Sheikh Zayed the First Street and Sheikh Rashid bin Saeed Al Maktoum Road, PO 3838, Abu Dhabi

Current offices

- Abu Dhabi Fund for Development, Managing Director

- Arab Bank for Investment and Foreign Trade, Deputy Chairman
- First Gulf Bank, Board member
- Center of Food Security of Abu Dhabi, Board member
- Al Ain Farms for Livestock Production, Chairman
- UAE Red Crescent, Board member
- Aghtia, Board member
- CEPSA, Board member

Mohammed Hadi AL HUSSAINI

Nationality: Emirati

Business address: Etisalat – intersection of Sheikh Zayed the First Street and Sheikh Rashid bin Saeed Al Maktoum Road, PO 3838, Abu Dhabi

Current offices

- Etisalat Group, Board member
- Emirates NBD, Board member
- Emirates Islamic Bank, Board member
- Dubai Refreshments, Board member
- Emaar Malls, Board member
- Dubai Real Estate Corporation

Serkan OKANDAN

Nationality: Cypriot

Business address: Etisalat – intersection of Sheikh Zayed the First Street and Sheikh Rashid bin Saeed Al Maktoum Road, PO 3838, Abu Dhabi

Current offices

- Etisalat Group, Chief Financial Officer
- Ufone (Pakistan), Board member and Chairman of the Audit Committee
- PTCL (Pakistan), Board member and Chairman of the Audit Committee
- Etisalat Services Holding (ESH), Board member and Chairman of the Audit Committee
- Mobily (Saudi Arabia), Board member and member of the Audit Committee

6. Change from adjusted financial indicators to published financial indicators

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

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

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

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

7. Impact of the adoption of IFRS 16

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

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

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

8. Consolidated financial statements

8.1 Comparability of the financial statements

The consolidated financial statements of Maroc Telecom 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 31,2019 and which, in the published financial statements, show no difference with the accounting standards published by the International Accounting Standards Board (IASB).

All the new standards, interpretations or amendments established by the IASB and that must be applied in the European Union as from January 1, 2019, were applied.

The Group adopted the simplified retrospective approach by recognizing in shareholders' equity the cumulative effect of the initial application of the standard on the date of the first application, without restating the information for the comparative periods.

Application of IFRS 16

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

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

- Leases of intangible assets (licenses and software).
- Leases exempted by the standard and adopted by the Group. These are usually leases with a term of less than 12 months and/or leases of whose replacement value of the underlying asset is of low value. These contracts will, however, be subject to ancillary information and the associated rents will be presented in rental expenses at the level of the state of profit.
- Leases whose residual term on transition date is less than 12 months in accordance with the transitional provisions in section "C10C1" are also exempt.
- Leases where the lessor has a substantial substitution right.
- Leases where the payment is variable.

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

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

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

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

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

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

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

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

8.2 Consolidated Statement of Financial Position

ASSETS (in MAD million)	**2018**	**2019**
Goodwill	8,548	9,201
Other intangible assets	7,681	8,808
Property, plant and equipment	31,301	31,037
Right-of-use asset		1,630
Equity affiliates	0	0
Non-current financial assets	299	470
Deferred tax assets	224	339
Non-current assets	**48,053**	**51,485**
Inventories	348	321
Trade and other receivables	11,839	11,380
Short-term financial assets	138	128
Cash and cash equivalents	1,700	1,483
Assets available for sale	54	54
Current assets	**14,078**	**13,365**
TOTAL ASSETS	**62,131**	**64,851**

LIABILITIES (in MAD million)	**2018**	**2019**
Share capital	5,275	5,275
Consolidated reserves	4,383	4,069
Consolidated net income for the period	6,010	2,726
Shareholders' equity – Group share	15,668	12,069
Non-controlling interests	3,822	3,934
Shareholder's equity	**19,490**	**16,003**
Non-current provisions	464	504
Borrowings and other long-term financial liabilities	3,475	4,178
Deferred tax liabilities	246	258
Other non-current liabilities	0	0
Non-current liabilities	**4,185**	**4,939**
Trade payables	24,095	23,794
Current tax liabilities	906	733
Current provisions	1,325	4,634
Borrowings and other short-term financial liabilities	12,129	14,748
Current liabilities	**38,456**	**43,908**
TOTAL LIABILITIES	**62,131**	**64,851**

8.3 Consolidated income statement

(In MAD million)	2018	2019
Revenues	**36,032**	**36,517**
Cost of purchases	-6,011	-5,670
Payroll costs	-2,891	-3,098
Taxes, royalties and dues	-2,818	-3,183
Other operating income and expenses	-5,923	-5,610
Net depreciation, amortization, and provisions	-7,337	-10,724
Earnings from operations	**11,052**	**8,231**
Other income and expenses from ordinary activities	-11	-11
Income from equity affiliates	0	0
Income from ordinary activities	**11,040**	**8,220**
Income from cash and cash equivalents	3	2
Gross cost of financial debt	-527	-756
Net cost of financial debt	-524	-754
Other financial income and expenses	99	-38
Financial income	**-425**	**-792**
Income tax	-3,677	-3,830
Net Income	**6,938**	**3,598**
Translation difference resulting from foreign business activities	-239	-226
Other comprehensive income and expenses	-5	43
Total comprehensive income for the period	**6,693**	**3,415**
Net Income	**6,938**	**3,598**
Earnings attributable to equity holders of the parents	6,010	2,726
Non-controlling interests	928	873
Earnings per share	**2019**	**2019**
Net income attributable to equity holders of the parent (in MAD million)	6,010	2,726
Number of stocks at December 31	879,095,340	879,095,340
Net earnings per share (in MAD)	**6.84**	**3.10**
Diluted net earnings per share (in MAD)	**6.84**	**3.10**

8.4 Consolidated cash flow statement

(In MAD million)	2018	2019
Earnings from operations	11,052	8,231
Depreciation, amortization, and other restatements	7,318	10,721
Gross cash flow from operating activities	**18,370**	**18,952**
Other changes in net working capital requirement	-883	419
Net cash flow from operating activities before tax	**17,487**	**19,372**
Income tax paid	-2,967	-4,091
Net cash flow from operating activities (a)	**14,520**	**15,281**
Purchases of property, plant and equipment and intangible assets	-8,075	-7,949
Purchases of consolidated investments after acquired cash	-469	-1,096
Increase in financial assets	-194	-73
Disposals of property, plant and equipment and intangible assets	31	6
Decrease in financial assets	335	287
Dividends received from non-consolidated equity investments	2	6
Net cash flow used in investing activities (b)	**-8,369**	**-8,819**
Capital increase	0	0
Dividends paid to shareholders	-5,732	-6,003
Dividends paid by subsidiaries to their non-controlling shareholders	-798	-838
Changes in equity capital	**-6,529**	**-6,841**
Proceeds from borrowings and increase in other long-term financial liabilities	1,347	2,270
Proceeds from borrowings and increase in other short-term financial liabilities	1,933	2,860
Payments on borrowings and decrease in other short-term financial liabilities	-2,682	-4,548
Net interest paid	-575	-473
Other cash items relating to financing activities	6	-13
Change in borrowings and other financial liabilities	**29**	**96**
Net cash flow used in financing activities (d)	**-6,501**	**-6,744**
Translation adjustments and other non-cash items (g)	40	65
Total cash flows (a)+(b)+(d)+(g)	-310	-217
Cash and cash equivalents at beginning of period	**2,010**	**1,700**
Cash and cash equivalents at end of period	**1,700**	**1,483**

9. Statutory financial statements

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

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

in MAD million	2017	2018	2019	Variation 19/18
Revenues	19,900	20,734	**20,979**	**+1.2%**
Operating income	6,676	7,394	**8,131**	**+10.0%**
Financial income	1,006	1,096	**943**	**-14.0%**
Income tax expense	-1,966	-2,375	**-2,389**	**+0.6%**
Non-current income	-17	185	**-3,426**	**ns**
Net income	5,699	6,301	**3,259**	**-48.3%**
Investments	4,481	2,646	**2,903**	**+9.7%**

9.1 Key elements of the income statement

► **Revenues**

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

► **Operating income and net income**

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

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

With before-tax income of MAD 5,648 million and corporation tax of MAD 2,389 million, net profit amounted to MAD 3,259 million, an decrease of 48.3%.

It should be noted that the 2019 result includes the expense relating to the social support and cohesion contribution, which was introduced by the 2019 Finance Act, and amounted to MAD 204 million and an exceptional provision for risks of MAD 3,300 million (following the decision of the Management Committee of the National Telecommunications Regulatory Agency on anti-competitive practices in the fixed-line and access fixed broadband internet)..

9.2 Balance sheet

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

► Assets and their components

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

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

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

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

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

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

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

► Liabilities and their components

(Liabilities in MAD million)	NET			Change 19/18
	2017	2018	2019	
Net assets	15,364	15,969	13,225	-17.2%
including net profit for the fiscal year	5,699	6,301	3,259	-48.3%
Financial borrowings	3,868	2 714	7	-99.7%
Long-term provisions for risks and losses	70	34	35	+3.6%
Translation difference - profit	36	0	0	-
Total permanent funds	**19,338**	**18,716**	**13,267**	**-29.1%**
Current liabilities	**15,764**	**14,666**	**18,000**	**+22.7%**
Cash liabilities	**7,401**	**7,990**	**10,238**	**+28.1%**
Total liabilities	**42,503**	**41,372**	**41,505**	**+0.3%**

Given the profit for the fiscal year of MAD 3,259 million, net assets at December 31, 2019, stood at MAD 13,225 million, compared with MAD 15,969 million in 2018.

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

At December 31, 2019, current liabilities amounted to MAD 18,000 million, compared with MAD 14,666 million in 2018. This increase is mainly due to the recognition of an exceptional provision for risks of MAD 3,300 million (following the decision of the Management Committee of the National Telecommunications Regulatory Agency on practices anti-competitive market and high-speed fixed internet access).

9.3 Equity investments

At December 31, 2019, Maroc Telecom held the following equity investments:

	Gross value (in MAD thousands)	Ownership interest (%)
SOTELMA	3,143,911	51
ONATEL	2,928,777	61
GABON TELECOM	696,641	51
COMPAGNIE MAURITANIENNE DE COMMUNICATIONS (CMC)*	399,469	80
ETISALAT BENIN SA	864,716	100
ATLANTIQUE TELECOM COTE D'IVOIRE	890,932	85
ATLANTIQUE TELECOM TOGO	596,672	95
ATLANTIQUE TELECOM NIGER	507,165	100
ATLANTIQUE TELECOM CENTRE AFRIQUE	358,755	100
MIC AFRICA 2 B.V (TIGO TCHAD)	1,175,334	100
CASANET	18,174	100
AUTOROUTES DU MAROC ADM	20,000	NS
MEDI1 SAT	169,540	8
THURAYA	9,872	NS
ARABSAT	6,454	NS
MT CASH	10,000	100
MT FLY SA	20,300	100

* CMC, holding controlling 51.5% of Mauritel

9.4 Breakdown by due date of the balance of local supplier invoices

	(A) Amount of trade payables A=B+C+D+E+F	(B) Amount of payables not due	Montant des dettes échues (C) Amount of payables due in less than 30 days	(D) Amount of payables due between 31 and 60 days	(E) Amount of payables due between 61 and 90 days	(F) Amount of payables due in more than 90 days
31/12/2018	860,653,103	860,653,102	0	0	0	0
31/12/2019	1,127,119,092	1,127,119,092	0	0	0	0

Due dates were calculated on the date services were performed or merchandise delivered as stipulated by law 32-10.

10. Proposed appropriation of earnings

We are recommending that you approve the following allocations:

Allocation of earnings for the fiscal year 2019 (in MAD)	
Net income for the year	3,259,293,036.08
Withholding from reserves[(1)]	1,610,895,147.52
Distributable earnings	4,870,188,183.60
Legal reserves	
Regulated reserves	
Optional reserve	
Ordinary dividend[(2)]	4,870,188,183.60

(1) After allocating the surplus of the legal reserve of MAD 351 638 136 to the optional reserve.

(2) This amount is adjusted to reflect the number of treasury shares held on the dividend payment date.

Accordingly, the dividend was set at MAD 5,54 for each share of those comprising the share capital and held on the record date.

Dividends paid in the past three years were as follows:

	2016	2017	2018
Number of shares	879,095,340	879,095,340	879,095,340
Dividend/share (MAD)	6.36	6.48	6.83
Total distribution* (in MAD thousands)	5,590,752	5,695,730	6,003,058

* This amount reflects the number of treasury shares held on the dividend payment date

11. Human resources

Maroc Telecom's human resources policy is based on rewarding performance, skills development, fairness and equal opportunities.

To help employees grow their expertise and progress their careers, Maroc Telecom is diversifying and expanding its ongoing training. In 2018, 62% of Maroc Telecom employees averaged 2.5 days of training.

In terms of career mobility, this year saw continuing efforts to strengthen the sales force and network technicians quantitatively and qualitatively and also the international mobility in various subsidiaries to provide the necessary expertise in the different areas of the business.

As of December 31, 2019, Maroc Telecom Group had 10,422 employees.

12. Statement of Share buyback program

The current buyback program to stabilize the market was approved by the Shareholders' Meeting of April 23, 2019, after the Company had obtained AMMC approval on April 5, 2019 under reference VI/EM/004/2019 for the Simplified Prospectus relating to that program.

The Shareholders' Meeting held on April 23, 2019 resolved:

- To revoke, as of May 8th, 2019, the buyback program on the stock exchange in order to stabilize the market as authorized by the Ordinary Shareholders' Meeting of April 24, 2018, which is expected to expire on November 8, 2019.
- To authorize the Management Board, as of this Shareholders' Meeting, in accordance with Article 281 of the law governing joint stock companies, for a period of eighteen months from May 8, 2019, to November 6, 2020, to purchase company shares on the market in order to stabilize their price, on one or more occasions, in Morocco or abroad, and to introduce on the Casablanca Stock Exchange a liquidity contract backing this buyback program. The number of shares targeted by that liquidity contract may not under any circumstances exceed 300,000 shares, representing 20% of total number of shares covered by the buyback program.

The characteristics of the buyback program are as follows:

- Duration: from May 8, 2019, to November 6, 2020
- Spread between sell and buy trades price: MAD 98 - 189
  - ► *Maximum purchasing price : 189 MAD corresponding to 130% of the average price calculated between the highest closing price (149.00 MAD, 24 and 25 January, 2019) and the average of closing prices (141.72 MAD) during the last six months from July 25, 2018 to January 25,2019;*
  - ► *Minimum selling price: 98 MAD corresponding to 70% the average price calculated between the lowest closing price (138.10 MAD, October 30th, 2018) and the average of closing prices (141.72 MAD) during the last six months from July 25, 2018 to January 25,2019;*
- Maximum portion of capital that may be held: 0.17%, i.e. 1,500,000 shares
- Liquidity contract backing this buyback program, representing 20% of the program, or a maximum of 300,000 shares.

Under the price stabilization and liquidity contracts given to Rothschild Martin Maurel, the following averages appear in those financial statements:

	12/31/2017	12/31/2018	12/31/2019
Casablanca - excluding liquidity	42,000 shares 27,869,726.23 MAD	14,900 shares 31,000,479.27 MAD	5,000 shares 32,663,487.06 MAD
Casablanca - Liquidity portion	85,000 shares 24,815,586.10 MAD	14,000 shares 34,047,316.10 MAD	15,000 shares 34,297,144.63 MAD
Paris	116,077 shares 3,616,882.00 €	67,250 shares 4,241,633.00 €	75,326 shares 4,116,065.00 €

The result of the share buyback program for the period extending from January 1 to December 31, 2019 is as follows:

	Casablanca - Excluding liquidity	Casablanca - Liquidity portion	Paris	Total
Number of shares purchased	553,057	777,855	131,743	1,462,655
Average buy price	145.53 MAD	145.05 MAD	13.38 €	-
Number of shares sold	562,957	776,855	123,667	1,463,479
Average sell price	145.09 MAD	144.82 MAD	13.34 €	-
Shares held as of December 31, 2019	**5,000**	**15,000**	**75,326**	**95,326**

The details of the buyback program will be available in the simplified prospectus provided to the Shareholders' Meeting on April 29, 2020.

13. Related-party agreements under article 95 of Law 17-95

We are also asking you to approve the transactions that occurred during the fiscal year ended December 31, 2019, pursuant to the agreements governed by Article 95 of Law 17-95 on Joint Stock Companies as amended and supplemented, duly authorized by the Supervisory Board, which continued and/or were concluded during the fiscal year ended.

The Statutory Auditors have been informed of the extension and/or impact of the agreements mentioned in their special report.

14. Draft resolutions on the agenda of the Ordinary Shareholders’ Meeting of April 29, 2020

The Management Board proposes the adoption of ten resolutions by the Ordinary Shareholders’ Meeting of April 29, 2020:

1. Approval of the reports and summary annual financial statements for the year ended December 31, 2019;
2. Approval of the consolidated financial statements for the year ended December 31, 2019;
3. Approval of the related-party agreements reviewed in the statutory auditors’ special report;
4. Appropriation of earnings for 2019 and dividend;
5. Ratification of the co-optation of Mr Obaid Bin Humaid AL TAYER as a member of the Supervisory Board;
6. Renewal of the term of office of Mr Serkan OKANDAN as a member of the Supervisory Board;
7. Appointment of two (2) independent members of the Supervisory Board;
8. Renewal of the term of office of the Statutory Auditor;
9. Abrogation of the current share-buyback program and authorization for the management board to carry out additional transactions on company shares and to implement a liquidity agreement in Casablanca stock exchange;
10. Powers for the performance of formalities.

Notes

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

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

(3) 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.

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

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

(6) 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).

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

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

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

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

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