



# FINANCIAL REPORT

## First Half of 2019



### **Preliminary remarks:**

This financial report and the condensed financial statements for the half year ended June 30<sup>th</sup>, 2019 were approved by the Management Board on July 16<sup>th</sup>, 2019. They were submitted to the Supervisory Board on July 19, 2019, after review by the Audit Committee at its meeting on July 19<sup>th</sup>, 2019.

This report should be read in conjunction with the Management Board's report for the year ended December 31, 2018 as published in Registration Document as filed with the Securities Regulator (AMF) on April 11, 2019 ("the 2018 Registration Document").

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# Highlights

## January 2019

- Maroc Telecom launches the new "Switch" balance conversion service which offers Jawal customers the freedom and flexibility to convert their Voice credits to Data and vice versa according to their needs.
- In Ivory Coast and Mali, the domestic Mobile call termination rate falls to 7 CFA francs/min starting January 1, 2019.
- In Morocco, ANRT launched a study on the preparation of the General Guidelines Note by 2023.
- In Togo, specifications are signed for the 2G/3G/4G license.

## February 2019

- In Morocco, enactment of Act No. 121.12, amending and supplementing Act 24-96, which establishes a general obligation to access and share infrastructure and an increase in the level of penalties.
- Maroc Telecom enhances its range of top-end Mobile Packages for the Business and Professional Mobile segment, introducing additional 4G+ Data volumes free of charge. As a result, the 35 hr Package now offers 15 GB of 4G+ Internet instead of 10 GB and the 50 hr Package offers 30 GB instead of 20 GB at the same price.
- Maroc Telecom further enhances the prepaid Mobile Internet offer and increases the validity period of the MAD 30 Internet Pass to 14 days.
- Maroc Telecom enhances the \*4 international Pass and lowers the price of 22 destinations in Africa.
- Maroc Telecom enhances the \*7 Roaming Pass, which includes voice, SMS and data, with new destinations: MT customers can now use their Roaming Pass in 30 countries instead of 6.
- In Mali, 7.5 billion CFA francs paid as the first installment of the 4G license acquired in 2018.
- In Mauritania, adoption of a decision to submit to the general authorization system, and the establishment and operation of Wireless Local Loop (WLL) networks with a view to providing only fixed and/or roaming services.
- In Burkina Faso, a decree adopted changing the terms and conditions for identifying subscribers and making the compliance deadline 3 months.

## March 2019

- In Burkina Faso, a global Mobile license granted including 4G and involving the early renewal of 2G/3G licenses, for a period of 17 years, and a price of 80 billion CFA francs paid entirely by the subsidiary. Onatel proceeds with the commercial launch of its 4G service.
- In Ivory Coast, 10 billion CFA francs paid as the fourth and final installment of the global 4G license acquired in 2016.
- Signing of an agreement with Millicom to acquire their subsidiary Tigo Tchad.

## April 2019

- In Mauritania, as part of the implementation of the resolution to remove roaming charges in the G5 Sahel countries, a decree is signed exempting calls originating in the countries of that region from the tax on incoming international traffic and the minimum international call termination limit.
- In Mali, 7 billion CFA francs paid as the second and final installment of the 4G license acquired in 2018.

## May 2019

- Maroc Telecom launches an exclusive Top-Up x12 offer, on an ongoing basis, for all Top-ups from MAD 10, via its "Mon Espace MT" web portal.
- In Mauritania, Mauritel responds to a call for tender for the acquisition of a 4G license, with the option of early renewal of 2G/3G licenses for 15 years.
- In Togo, 6.5 billion CFA francs paid as the second installment of the global license acquired in 2018.

## June 2019

- Maroc Telecom launches a new Pro and Business plan that offers 30 hrs in addition to 15 GB of 4G+ Internet, starting from MAD 180 (incl tax) per month.
- Maroc Telecom launches an enhanced, unlimited domestic and international plan for MAD 399 including unlimited calls to domestic numbers, 100 hrs to international numbers, unlimited domestic and international SMS, and 35 GB Internet.
- In Burkina Faso, Mobile call termination rates fall from 15 to 12.5 CFA francs/min starting July 1, 2019.
- The Kingdom of Morocco sells 8% of the capital held, reducing its stake to 22% (operation finalized in July).



# 1- CERTIFICATIONS

In this document, "Maroc Telecom" or "the Company" refers to the company Itissalat Al-Maghrib, and "the Group" refers to the group constituted by the Company and all of its directly and indirectly owned subsidiaries.

## 1.1 PERSON RESPONSIBLE FOR THE INTERIM REPORT

Mr. Abdeslam Ahizoune

Chairman of the Management Board

## 1.2 CERTIFICATION OF THE INTERIM REPORT

I hereby attest, to my knowledge, that the condensed interim financial statements are established in accordance with applicable accounting standards and give a true and fair view of the income and financial position and results of the company and all of the consolidated companies, and that the interim management report gives a true and fair view of the significant events having occurred during the first six months of the year, and their impact on the condensed interim financial statements, the main related-party transactions.

Mr. Abdeslam Ahizoune

Chairman of the Management Board

## 1.3 PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS

*Statutory Auditors*

**Deloitte Audit, represented by Mrs Sakina BENSOUA KORACHI**

Boulevard Sidi Mohammed Benabdellah, Bâtiment C Tour Ivoire 3, 3ème étage, La Marina Casablanca, Maroc

Mrs. Bensouda Korachi was first appointed by the general meeting of April 26, 2016, reappointed in 2018. Her current three years term, shall expire at the close of the ordinary shareholders' meeting held to act on the financial statements for the year ending December 31, 2021.

**Mr. Abdelaziz ALMECHATT**

83, avenue Hassan II – 20 100 Casablanca, Maroc

First appointed in 1998 by the bylaws and renewed in 2017, his current three-year term of office expires at the end of the ordinary general meeting called to approve the financial statements for the fiscal year ending December 31, 2019.

To the shareholders

**ITISSALAT AL MAGHRIB (IAM) S.A**

**Avenue Annakhil, Rabat**

**Maroc**

This is a free translation into English of the statutory auditor's limited review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users.

**LIMITED REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF ITISSALAT AL MAGHRIB (IAM) S.A**

**PERIOD FROM 1<sup>st</sup> JANUARY TO 30<sup>th</sup> JUNE 2019**

We have conducted a limited review of the interim consolidated financial statements of Itissalat Al Maghrib (IAM).S.A and its subsidiaries (Itissalat Al Maghrib Group) which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidation perimeter and a selection of explanatory information related to the period from 1<sup>st</sup> January to 30<sup>th</sup>, June 2019. These interim consolidated financial statements show an amount of consolidated equity of MMAD 16.004 including a consolidated net profit of MMAD 3.485.

We conducted our review in accordance with professional standards applicable in Morocco. Those standards require that a limited review should be planned and executed in order to obtain a moderate assurance that the interim consolidated financial statements referred to in the preceding first paragraph, are free from material misstatement. A limited review includes mainly making inquiries of the company's staff and analytical review to financial data; thus, it provides a lower level of assurance than an audit. We have not conducted an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the approved accompanying interim consolidated financial statements, do not give a true and fair view of financial performance of Itissalat Al Maghrib Group as at 30<sup>th</sup> June 2019, and its financial position and assets according to International Accounting Standards IAS/IFRS, as adopted by the European Union.

Casablanca, 20<sup>th</sup> July 2019

**The Statutory Auditors**

**Deloitte Audit**

**Sakina BENSOUA KORACHI**

**Partner**

**Abdelaziz ALMECHATT**

**Abdelaziz ALMECHATT**

**Partner**

To Shareholders

**ITISSALAT AL MAGHRIB (IAM) S.A**

**Annakhil Avenue, Rabat**

**Morocco**

This is a free translation into English of our limited review report on the half-year individual financial statements issued in French and it is provided solely for the convenience of English-speaking users.

**REPORT ON THE LIMITED REVIEW OF INDIVIDUAL FINANCIAL STATEMENTS of  
ITISSALAT AL MAGHRIB (IAM) S.A.**

**PERIOD FROM JANUARY 1<sup>st</sup> TO JUNE 30<sup>th</sup> 2019**

In application of provisions of the Dahir carrying Law No. 1-93-212 of 21 September 1993, as modified and completed, We have reviewed the interim financial statements of ITISSALAT AL MAGHRIB (IAM) S.A. which comprise the statement of financial position the statement of profit and loss related to the period from January 1<sup>st</sup> to June 30<sup>th</sup>, 2019. Those interim financial statements, which show a total equity of MAD 13.726.285 thousands including a net profit of MAD 3.760.715 thousands, are the responsibility of management of ITISSALAT AL MAGHRIB (IAM) S.A.

We conducted our review in accordance with professional Standards applicable in Morocco related to limited review engagements. Those standards require that we plan and perform the review in order to obtain a moderate assurance that financial statements are free from material misstatement. A review includes mainly making inquiries of the company's staff and analytical review of financial data; thus, it provides a lower level of assurance than an audit. We have not conducted an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the approved accompanying interim financial statements, do not present fairly the result of the period's transactions of ITISSALAT AL MAGHRIB (IAM) S.A., the financial position and its assets as at June 30<sup>th</sup>, 2019, in accordance with Generally Accepted Accounting Principles in Morocco.

Casablanca, July 20<sup>th</sup>, 2019

**The Statutory Auditors**

**Deloitte Audit**

**Sakina BENSOUA KORACHI**

**Partner**

**Abdelaziz ALMECHATT**

**Abdelaziz ALMECHATT**

**Partner**



## **2- ACTIVITY REPORT**

## 2.1 DESCRIPTION OF ACTIVITIES

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

IFRS in MAD million	H1-2018	H1-2019	Change	Change like-for-like <sup>(1)</sup>
<b>Revenues</b>	<b>17,939</b>	<b>17,844</b>	<b>-0.5%</b>	<b>+0.8%</b>
<b>EBITDA</b>	<b>8,860</b>	<b>9,409</b>	<b>+6.2%</b>	<b>+5.1%</b>
<i>Margin (%)</i>	49.4%	52.7%	+3.3 pt	+2.1 pt
<b>Adjusted EBITA</b>	<b>5,540</b>	<b>5,862</b>	<b>+5.8%</b>	<b>+6.4%</b>
<i>Margin (%)</i>	30.9%	32.9%	+2.0 pt	+1.7 pt
<b>Adjusted net income</b>	<b>3,468</b>	<b>3,485</b>	<b>+0.5%</b>	<b>+1.5%</b>
<b>Group share of published net income</b>	<b>2,991</b>	<b>3,022</b>	<b>+1.0%</b>	<b>+1.8%</b>
<i>Margin (%)</i>	16.7%	16.9%	+0.3 pt	+0.2 pt
<b>CAPEX <sup>(2)</sup></b>	<b>3,599</b>	<b>3,227</b>	<b>-10.3%</b>	<b>-8.2%</b>
Of which frequencies and licenses	480	1,327		
CAPEX/revenues (excluding frequencies and licenses)	17.4%	10.7%	-6.7 pt	-6.7 pt
<b>Adjusted CFO</b>	<b>4,230</b>	<b>5,728</b>	<b>+35.4%</b>	<b>+30.6%</b>
<b>Net debt</b>	<b>17,129</b>	<b>21,034</b>	<b>+22.8%</b>	<b>+16.3%</b>
Net debt/EBITDA <sup>(3)</sup>	1.0x	1.1x		

### Customer base

Maroc Telecom Group ended the half year with a total customer base of nearly 63 million subscribers, up 3.9% on the same period the previous year. This increase was originating both from the Mobile and Fixed-Line customer base in Morocco (up 3.2% and 3.6%, respectively) as well as from subsidiaries' Mobile customer base (up 4.1%).

### Revenues

At end-June 2019, Maroc Telecom Group's consolidated revenues<sup>(4)</sup> amounted to MAD 17,844 million, up 0.8% (at constant exchange rates), thanks to business growth in Morocco, which offset the adverse impact of the decline in Mobile call terminations rates and incoming international revenue in subsidiaries.

### Earnings from operations before depreciation and amortization

Thanks to an active cost optimization policy, which reduced operating expenses, and to the favorable fall in Mobile call termination rates in subsidiaries, the Group's earnings from operations before depreciation and

amortization (EBITDA) amounted to MAD 9,409 million, up 6.2% (+5.1% on a like-for-like basis<sup>(1)</sup>). The EBITDA margin improved by 2.1 points to the high level of 51.5% (on a like-for-like basis<sup>(1)</sup>).

### **Earnings from operations**

At the end of June 2019, Maroc Telecom Group's adjusted consolidated earnings from operations (EBITA)<sup>(5)</sup> amounted to MAD 5,862 million, up 5.8% (+6.4% on a like-for-like basis<sup>(1)</sup>), supported by the rise in EBITDA. The EBITA margin rose 2.0 points (+1.7 pts on a like-for-like basis<sup>(1)</sup>) to 32.9%.

### **Net Income and Group share of Net Income**

In the first half of 2019, adjusted Net Income amounted to MAD 3,485 million and Group share of adjusted Net Income was MAD 3,022 million, up 1.5% and 1.8%, respectively, on a like-for-like basis<sup>(1)</sup>, supported by strong business performance in Morocco.

### **Investments**

Excluding frequencies and licenses, the optimization of capital expenditures levels leads to a CAPEX/revenue ratio of 10.7%, in line with targets.

### **Cash-flow**

Adjusted cash flow from operations (CFFO)<sup>(6)</sup> was MAD 5,728 million, up 35.4% (+30.6% on a like-for-like basis<sup>(1)</sup>) under the combined effects of higher EBITDA and optimization of investments.

At the end of June 2019, Maroc Telecom Group's consolidated net debt<sup>(7)</sup> was MAD 21 billion, up 22.8% year-on-year, reflecting the license payments in subsidiaries, the acquisition of Tigo Chad, the payment of dividends to all Maroc Telecom Group shareholders and the impact of IFRS16. Excluding the impact of IFRS 16, the consolidated net debt is up 16.3%.

### **Highlights**

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 22% of the capital and voting rights in Maroc Telecom.

## 2.1.1 MOROCCO

IFRS in MAD million	H1-2018	H1-2019	Change	Change on like-for-like basis <sup>(1)</sup>
<b>Revenues</b>	<b>10,562</b>	<b>10,713</b>	<b>+1,4%</b>	
<b>Mobile</b>	<b>6,784</b>	<b>6,959</b>	<b>+2,6%</b>	
Services	6,645	6,794	+2,2%	
Equipment	138	165	+19,0%	
<b>Fixed-Line</b>	<b>4,665</b>	<b>4,657</b>	<b>-0,2%</b>	
Of which Fixed-Line Data*	1,472	1,538	+4,5%	
<b>Eliminations and other income</b>	<b>-887</b>	<b>-903</b>		
<b>EBITDA</b>	<b>5,542</b>	<b>6,136</b>	<b>+10,7%</b>	<b>+9,0%</b>
Margin (%)	52,5%	57,3%	+4,8 pt	+3,9 pt
<b>Adjusted EBITA</b>	<b>3,679</b>	<b>4,170</b>	<b>+13,3%</b>	<b>+13,2%</b>
Margin (%)	34,8%	38,9%	+4,1 pt	+4,0 pt
<b>CAPEX<sup>(2)</sup></b>	<b>1 376</b>	<b>877</b>	<b>-36,3%</b>	
Of which frequencies and licenses				
CAPEX/revenues (excluding frequencies and licenses)	13,0%	8,2%	-4,8 pt	
<b>Adjusted CFFO</b>	<b>3,186</b>	<b>3,818</b>	<b>+19,8%</b>	<b>+16,7%</b>
<b>Net Debt</b>	<b>14,119</b>	<b>15,299</b>	<b>+8,4%</b>	<b>+2,4%</b>
Net debt/EBITDA <sup>(3)</sup>	1,3x	1,2x		

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

Revenues from activities in Morocco continued to grow, to MAD 10,713 million (+1.4% from the same period of the previous year) thanks to the still-booming Mobile and Fixed-line Data business (+19.7% and +4.5% respectively).

Earnings from operations before depreciation and amortization (EBITDA) in the first half of 2019 amounted to MAD 6,136 million, up 10.7% and +9.0% excluding the impact of the application of IFRS16. This performance reflects revenue growth as well as cost control. EBITDA margin improved by 3.9 points (on a like-for-like basis<sup>(1)</sup>).

Adjusted earnings from operations (EBITA)<sup>(5)</sup> amounted to MAD 4,170 million, up 13.3% year-on-year (+13.2% on like-for-like basis<sup>(1)</sup>) mainly due to the rise in EBITDA. The adjusted EBITA margin therefore improved by 4.0 points (on a like-for-like basis<sup>(1)</sup>).

In the first six months of 2019, adjusted cash flow from operations (CFFO)<sup>(6)</sup> amounted to MAD 3,818 million, up 19.8% (16.7% excluding the impact of IFRS 16), mainly thanks to the increase of EBITDA and the optimization of investments.

### 2.1.1.1 Mobile

	Unit	H1-2018	H1-2019	Change
<b>Mobile</b>				
<b>Customer base <sup>(8)</sup></b>	<b>(000)</b>	<b>18,935</b>	<b>19,547</b>	<b>+3.2%</b>
Prepaid	(000)	17,090	17,364	+1.6%
Postpaid	<b>(000)</b>	1,845	2,183	+18.3%
<b>Of which 3G/4G+ Internet<sup>(9)</sup></b>	<b>(MAD/mois)</b>	<b>10,084</b>	<b>11,119</b>	<b>+10.3%</b>
<b>ARPU<sup>(10)</sup></b>		<b>57.5</b>	<b>57.5</b>	<b>+0.1%</b>

At June 30, 2019, the Mobile customer base<sup>(8)</sup> was 19.5 million customers, up 3.2% year-on-year, driven by the growth of 18.3% in the postpaid base, and of 1.6% in the prepaid base.

Mobile revenues amounted to MAD 6,959 million, up 2.6%. The 6.5% growth in outgoing revenues largely offset the decline in incoming revenues reflecting the international traffic decline.

Blended ARPU<sup>(10)</sup> was MAD 57.5 for the first six months of 2019, unchanged from the same period the previous year.

### 2.1.1.2 Fixed-line & Internet

	Unit	H1-2018	H1-2019	Change
<b>Fixed-lines</b>	<b>(000)</b>	<b>1,787</b>	<b>1,851</b>	<b>+3.6%</b>
<b>Broadband access <sup>(11)</sup></b>	<b>(000)</b>	<b>1,439</b>	<b>1,529</b>	<b>+6.2%</b>

The Fixed-line customer base is at 1.9 million lines, up 3.6% and the Broadband subscribers rise by 6.2% to 1.5 million lines.

Revenues from Fixed-line and Internet activities posted a slight decrease of 0.2%, due to the decline in revenues from international transit, partly offset by the 4.5% increase in Fixed-line Data revenue.

## 2.1.2 INTERNATIONAL

### 2.1.2.1 Financial indicators

IFRS in MAD million	H1-2018	H1-2019	Change	Change on a like-for-like basis <sup>(1)</sup>
<b>Revenues</b>	<b>8,146</b>	<b>7,824</b>	<b>-4.0%</b>	<b>-1.0%</b>
<i>Of which Mobile Services</i>	7,443	7,118	-4.4%	-1.4%
<b>EBITDA</b>	<b>3,318</b>	<b>3,273</b>	<b>-1.4%</b>	<b>-1.3%</b>
<i>Margin (%)</i>	40.7%	41.8%	+1.1 pt	-0.1 pt
<b>Adjusted EBITA</b>	<b>1,861</b>	<b>1,692</b>	<b>-9.1%</b>	<b>-7.0%</b>
<i>Margin (%)</i>	22.8%	21.6%	-1.2 pt	-1.4 pt
<b>CAPEX</b>	<b>2,223</b>	<b>2,351</b>	<b>+5.7%</b>	<b>+9.2%</b>
Of which frequencies and licenses	480	1,327		
CAPEX/revenues (excluding frequencies and licenses)	21.4%	13.1%	-8.3 pt	-8.3 pt
<b>Adjusted CFFO</b>	<b>1,044</b>	<b>1,909</b>	<b>+82.9%</b>	<b>+73.0%</b>
<b>Net Debt</b>	<b>6,583</b>	<b>8,698</b>	<b>+32.1%</b>	<b>+27.9%</b>
Net debt/EBITDA <sup>(3)</sup>	1.0x	1.3x		

At the end of June 2019, the Group's international activities recorded revenues of MAD 7,824 million, down 1.0% at constant exchange rates, mainly due to the decline in Mobile call terminations rates as well as the decrease in incoming international revenue facing indirect competition from OTTs' services. Excluding the impact of the decline in call terminations rates, revenues from international activities are up 0.7% at constant exchange rates.

Over the same period, earnings from operations before depreciation and amortization (EBITDA) amounted to MAD 3,273 million, down 1.4% (-1.3% like-for-like<sup>(1)</sup>) reflecting the combined impacts of the decline in revenues and the weight of taxes and regulatory fees, which represented 4.2% of EBITDA. EBITDA margin was stable (-0.1 pt on like-for-like basis<sup>(1)</sup>) from the same period of 2018.

In the first half of 2019, adjusted earnings from operations (EBITA)<sup>(5)</sup> amounted to MAD 1,692 million, down 9.1% (-7.0% on like-for-like basis<sup>(1)</sup>), representing a margin of 21.6% (down 1.4 pt on a like-for-like basis<sup>(1)</sup>) from the same period the previous year.

Adjusted cash flow from operations (CFFO)<sup>(6)</sup> in international activities increased by 82.9% (+73.0% on like-for-like basis<sup>(1)</sup>), to MAD 1,909 million, with capital expenditures at 13.1% of revenues, excluding frequencies and licenses.

## 2.1.2.2 Operating indicators

	Unité	H1-2018	H1-2019	Change
<b>Mobile</b>				
<b>Customer base <sup>(8)</sup></b>	(000)	<b>37,818</b>	<b>39,372</b>	
Mauritania		2,160	2,389	+10.6%
Burkina Faso		7,526	8,020	+6.6%
Gabon		1,648	1,648	0.0%
Mali		8,360	7,483	-10.5%
Ivory Coast		8,167	8,899	+9.0%
Benin		4,385	4,362	-0.5%
Togo		3,151	3,608	+14.5%
Niger		2,273	2,810	+23.6%
Central African Republic		147	153	+4.1%
<b>Fixed-Line</b>				
<b>Customer base</b>	(000)	<b>310</b>	<b>322</b>	
Mauritania		53	57	+7.5%
Burkina Faso		77	77	-0.6%
Gabon		22	22	+1.2%
Mali		159	167	+5.4%
<b>Fixed-line broadband</b>				
<b>Customer base <sup>(11)</sup></b>	(000)	<b>111</b>	<b>114</b>	
Mauritania		13	11	-21.3%
Burkina Faso		14	15	+2.6%
Gabon		17	18	+4.2%
Mali		66	71	+6.9%

Notes :

- (1) "Like-for-like" refers to unchanged MAD/Ouguiya/ CFA Franc exchange rates and the neutralization of the impact of the application of IFRS 16 on EBITDA, adjusted EBITA, adjusted Net Income, Group share of adjusted Net Income, adjusted CFFO and Net debt.
- (2) CAPEX corresponds to purchases of tangible and intangible assets recognized for the period.
- (3) The ratio Net Debt/EBITDA excludes the impact of IFRS16 standard.
- (4) Maroc Telecom consolidates the following companies in its financial statements: Mauritel, Onatel, Gabon Telecom, Sotelma, Casanet, AT Côte d'Ivoire, Etisalat Benin, AT Togo, AT Niger, and AT Centrafrique.
- (5) EBITA corresponds to EBIT before the amortization of intangible assets acquired through business combinations, write-downs of goodwill and other intangible assets acquired through business combinations, and other income and expenses relating to financial investment transactions and transactions with shareholders (except when recognized directly in equity).
- (6) CFFO includes net cash flow from operations before tax, as set out in the cash flow statement, as well as the dividends received from companies 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.
- (7) Loans and other current and non-current liabilities less cash and cash equivalents, including cash held in escrow for bank loans.
- (8) The active customer base consists of prepaid customers who have made or received a voice call (excluding ERPT or Call-Center calls) or received an SMS/MMS or used Data services (excluding ERPT services) during the past three months, and postpaid customers who have not terminated their agreements.
- (9) The active customer base for 3G and 4G+ mobile Internet includes holders of a postpaid subscription agreement (with or without a voice offer) and holders of a prepaid Internet subscription agreement who have made at least one top-up during the past three months or whose top-up is still valid and who have used the service during that period.
- (10) ARPU is defined as revenues (generated by inbound and outbound calls and by data services) net of promotional offers, excluding roaming and equipment sales, divided by the average customer base for the period. In this instance, blended ARPU covers both the prepaid and postpaid segments.
- (11) The broadband customer base includes ADSL access and leased lines in Morocco, as well as the ADMA customer base in Mauritania, Burkina Faso and Mali.

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

Adjusted EBITA, Adjusted Net Income, 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.

<i>(in MAD millions)</i>	H1-2018			H1-2019		
	Morocco	International	Group	Morocco	International	Group
<b>Adjusted EBITA</b>	<b>3,679</b>	<b>1,861</b>	<b>5,540</b>	<b>4,170</b>	<b>1,692</b>	<b>5,862</b>
<b>Non-recurring items:</b>						
Restructuring costs	-2	+11	+9			
<b>Published EBITA</b>	<b>3,677</b>	<b>1,872</b>	<b>5,549</b>	<b>4,170</b>	<b>1,692</b>	<b>5,862</b>
<b>Adjusted Net Income</b>			<b>3,468</b>			<b>3,485</b>
<b>Non-recurring items:</b>						
Restructuring costs			+10			
<b>Published Net Income</b>			<b>3,477</b>			<b>3,485</b>
<b>Adjusted Net Income – Group share</b>			<b>2,991</b>			<b>3,022</b>
<b>Non-recurring items:</b>						
Restructuring costs			+10			
<b>Published Net Income – Group share</b>			<b>3,001</b>			<b>3,022</b>
<b>Adjusted CFFO</b>	<b>3,186</b>	<b>1,044</b>	<b>4,230</b>	<b>3,818</b>	<b>1,909</b>	<b>5,728</b>
<b>Non-recurring items:</b>						
Restructuring costs	-2		-2			
License payments		-274	-274		-1,841	-1,841
<b>Published CFFO</b>	<b>3,185</b>	<b>769</b>	<b>3,954</b>	<b>3,818</b>	<b>68</b>	<b>3,887</b>

The first half of 2019 was marked by the payment of MAD 1,841 million for licenses in Burkina Faso, Mali, Togo and Côte d'Ivoire.

The first half of 2018 was marked by the payment of MAD 274 million for licenses for subsidiaries in Gabon and Côte d'Ivoire.

*Appendix 2: Impact of the adoption of IFRS 16*

IFRS 16 is applied from January 1, 2019, and H1-2018 data represent the application of IAS 17. The like-for-like change excludes the impact of the application of IFRS 16 (+MAD 189 million on EBITDA, +MAD 15 million on adjusted EBITA, - MAD 10 million on adjusted Net Income, - MAD 10 million on Group share of adjusted Net Income, +MAD 254 million on adjusted CFO and +MAD1 362 million in Net debt).

As at end-June 2019, the impact of this standard on Maroc Telecom' key indicators are as follows:

<i>(in MAD million)</i>	H1- 2019		
	Morocco	International	Group
<b>EBITDA</b>	<b>+98</b>	<b>+91</b>	<b>+189</b>
<b>Adjusted EBITA</b>	<b>+6</b>	<b>+9</b>	<b>+15</b>
<b>Adjusted Net Income</b>			<b>-10</b>
<b>Group share of adjusted Net Income</b>			<b>-10</b>
<b>Adjusted CFO</b>	<b>+101</b>	<b>+154</b>	<b>+254</b>
<b>Net Debt</b>	<b>+844</b>	<b>+518</b>	<b>+1,362</b>

## 2.2 RELATED-PARTY TRANSACTIONS

Under the terms of Article 95 et seq. of Moroccan Law No. 17-95 concerning Limited Liability Companies, as amended and supplemented by Law No. 20-05, Law No. 78-12 and Law No 20-19, any agreement between the Company and a member of the Management Board or of the Supervisory Board, or one of its shareholders directly or indirectly holding more than 5% of the Company's capital or voting rights, is subject to prior authorization by the Supervisory Board.

The same applies to agreements in which any person referred to in the previous paragraph has an indirect interest or whereby any such person deals with the company through an intermediary.

Also subject to the same authorization are agreements between the Company and an entity, if a member of the Company's Management Board or of the Supervisory Board is the owner, an indefinitely responsible associate, the manager, the director, the Chief Executive Officer, or a member of the Management Board or of the Supervisory Board, of the said entity.

Accordingly, the regulated agreements signed in the first half of fiscal year 2019, and the agreements signed in previous years that continued in effect during the first half of fiscal year 2019, are presented below.

### 2.2.1 REGULATED AGREEMENTS SIGNED IN THE FIRST HALF OF 2019

None.

### 2.2.2 REGULATED AGREEMENTS SIGNED IN PREVIOUS YEARS STILL IN EFFECT IN 2019

#### ▪ **Brand licensing agreements**

Effective January 26, 2015, Maroc Telecom became the majority shareholder of Atlantique Telecom Côte d'Ivoire, Etisalat Bénin, Atlantique Telecom Togo, Atlantique Telecom Niger, Atlantique Telecom Gabon (an entity absorbed by Gabon Telecom on June 29, 2016 with effect from January 1, 2016) and Atlantique Telecom Centrafrique. As a result, Maroc Telecom acquired the rights connected with the "Moov" and "No Limit" trademarks belonging to the Etisalat Group as well as the Trademark Licensing Agreements associated with them for the subsidiaries cited above.

Maroc Telecom is the majority shareholder of these entities and, for Gabon Telecom, Mr. Boudaoud is also a member of the management bodies common to both parties.

#### ▪ **Technical support agreement**

Effective January 26, 2015, Maroc Telecom became the majority shareholder of Atlantique Telecom Côte d'Ivoire, Etisalat Bénin, Atlantique Telecom Togo, Atlantique Telecom Niger, Atlantique Telecom Gabon (an entity absorbed by Gabon Telecom on June 29, 2016 with effect from January 1, 2016) and Atlantique Telecom Centrafrique. As a result, Maroc Telecom acquired the rights connected with the Technical Support Agreements signed between these companies and the Etisalat Group.

Maroc Telecom is the majority shareholder of these entities and, for Gabon Telecom, Mr. Boudaoud is also a member of the management bodies common to both parties.

#### ▪ **Agreements for advances on current account**

Effective January 26, 2015, Maroc Telecom became the majority shareholder of Atlantique Telecom Côte d'Ivoire, Etisalat Bénin, Atlantique Telecom Togo, Atlantique Telecom Niger, Atlantique Telecom Gabon (an entity absorbed by Gabon Telecom on June 29, 2016 with effect from January 1, 2016) and Atlantique Telecom Centrafrique. Maroc Telecom also acquired the Etisalat Group's current accounts in these subsidiaries.

Maroc Telecom is the majority shareholder of these entities and, for Gabon Telecom, Mr. Boudaoud is also a member of the management bodies common to both parties.

- **Technical services agreement with Etisalat**

In May 2014, Maroc Telecom signed a Technical Services Agreement with Emirates Telecommunications Corporation (Etisalat) whereby the latter will provide to Maroc Telecom on request, directly or indirectly, technical support services, particularly in the following fields: digital media, insurance, financial rating.

These services may be performed by expatriate personnel.

Effective May 14, 2014, Etisalat became the reference shareholder of Maroc Telecom via SPT, and the members of the joint management bodies are Eissa Mohammad Al Suwaidi, Hatem Dowidar, Saleh Abdooli, Serkan Okandan, and Mohammad Hadi Al Hussaini.

- **Services agreement with Gabon Telecom**

In November 2016, Gabon Telecom signed an agreement with Maroc Telecom for the latter to provide it with services in the following fields: strategy and development, organization, networks, marketing, finance, purchasing, human resources, information systems, and compliance.

These services are performed mainly by expatriate personnel.

Maroc Telecom is the majority shareholder of Gabon Telecom and the member of the joint management bodies is Mr. Brahim Boudaoud.

- **Services agreement with Sotelma**

In 2009, Sotelma signed an agreement with Maroc Telecom for the latter to provide it with technical support services.

Maroc Telecom is the majority shareholder of Sotelma and the member of the joint management bodies is Mr. Abdelkader Maamar.

- **Services agreement with Onatel**

In September 2007, Onatel signed an agreement with Maroc Telecom for the latter to provide it with services in the following fields: strategy and development, organization, networks, marketing, finance, purchasing, human resources, information systems, and compliance.

These services are performed mainly by expatriate personnel.

Maroc Telecom is the majority shareholder of Onatel.

- **Services agreement with Mauritel**

In 2001, Mauritel SA signed an agreement with Maroc Telecom for the latter to provide it with work projects linked to services, to technical support and to the sale of equipment.

Maroc Telecom is the majority shareholder of Mauritel SA and the member of the joint management bodies is Mr. Hassan Rachad.

- **Agreement for the Acquisition and Financing of the Subsidiaries Acquired from Etisalat**

The agreement is for Maroc Telecom to pay the acquisition price in five interest-free installments and for Etisalat to grant a USD 200 million zero-rate loan which the company has reallocated to certain acquired subsidiaries.

Etisalat is the reference shareholder of Maroc Telecom. The members of the joint management bodies for Etisalat are Eissa Mohammad Al Suwaidi, Mohammad Hadi Al Hussaini, Hatem Dowidar, Saleh Abdooli and Serkan Okandan.

- **Agreement with Casanet**

Since fiscal year 2003, Maroc Telecom has signed several agreements with its subsidiary Casanet, for the purpose, among others, of maintaining Maroc Telecom's Menara Internet portal in operational condition, and providing development and hosting services for the Mobile portal of Maroc Telecom's websites.

Maroc Telecom is the majority shareholder of Casanet and the member of the joint management bodies is Mr. Hassan Rachad.

- **Advance on Current Account – Casanet**

Maroc Telecom decided to transfer its business directory activity to its subsidiary Casanet.

Accordingly, on December 4, 2007, the Supervisory Board authorized the Company to take on the necessary investment costs which would be financed by advances on a non-interest bearing current account.

Maroc Telecom is the majority shareholder of Casanet and the member of the joint management bodies is Mr. Hassan Rachad.

- **Agreement with the Royal Moroccan Athletics Federation (Fédération Royale Marocaine d'Athlétisme / FRMA)**

The agreement linking Maroc Telecom and FRMA, of which Mr. Abdeslam AHIZOUNE is also Chairman, was renewed by the Supervisory Board on December 7, 2018 for a maximum term of three (3) years, for an amount of three (3) million dirhams per year.

## 2.3 GROWTH OUTLOOK

This section contains information regarding the Company's objectives for fiscal-year 2019.

The Company warns potential investors that these forward-looking statements are dependent on circumstances and events that are expected to occur in the future. These statements do not reflect historical Data and should not be considered as guarantees that the facts and Data mentioned will occur or that the objectives will be achieved. Because of their uncertain nature, these objectives may not be achieved, and the assumptions on which they are based may prove to be erroneous. Investors are encouraged to consider that some of the risks described in section 2.1 « Risk factors » the 2018 Registration Document may affect the Company's business and its ability to achieve its objectives.

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 maintains its outlook for 2019, at constant scope and exchange rates and excluding IFRS16:

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



3- FINANCIAL  
REPORT

### 3.1 CONSOLIDATED FINANCIAL DATA

Maroc Telecom Group's consolidated financial data is summarized in the following table. This selected financial data is drawn from the Group's consolidated financial statements prepared according to IFRS international standards (International Financial Reporting Standards), after a limited review by the statutory auditors Mr. Abdelaziz Almechatt and the firm Deloitte Maroc, represented by Mrs. Sakina Bensouda Korachi.

#### CONSOLIDATED FINANCIAL DATA IN MOROCCAN DIRHAMS Income statement for the first-halves of 2018 & 2019

<i>(In millions of MAD)</i>	H1-2018	H1-2019
<b>Consolidates revenues</b>	<b>17,939</b>	<b>17,844</b>
Operating expenses	12,390	11,982
<b>Earnings from operations</b>	<b>5,549</b>	<b>5,862</b>
Earnings from continuing operations	5,543	5,857
<b>Earnings for the period</b>	<b>3,477</b>	<b>3,485</b>
Earnings attributable to equity holders of the parents	<b>3,001</b>	<b>3,022</b>
Earnings per share (in MAD)	3.41	3.44
Diluted earnings per share (in MAD)	3.41	3.44

#### Balance sheet

<b>Assets (in millions of MAD)</b>	<b>12/31/2018</b>	<b>06/30/2019</b>
Noncurrent assets	48,053	50,428
Current assets	14,078	14,719
<b>Total assets</b>	<b>62,131</b>	<b>65,147</b>
<b>SHAREHOLDERS' equity and liabilities (in millions of MAD)</b>	<b>12/31/2018</b>	<b>06/30/2019</b>
Share capital	5,275	5,275
Equity attributable to equity holders of the parents	<b>15,668</b>	<b>12,452</b>
Minority interests	3,822	3,552
<b>Total shareholders' equity</b>	<b>19,490</b>	<b>16,004</b>
Noncurrent liabilities	4,185	4,709
Current liabilities	38,456	44,435
<b>Total shareholders' equity and liabilities</b>	<b>62,131</b>	<b>65,147</b>

## Scope of consolidation

### Mauritel

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

### Onatel

On December 29, 2006, Maroc Telecom acquired 51% of the capital of the Burkinabe operator Onatel. The Group increases its stake in Onatel to 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 acquires, from Maroc Telecom, 100% of Atlantique Telecom Gabon capital. This 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.

### Casnet

Casnet is a Moroccan internet provider established in 1995. In 2008, it became a wholly-owned subsidiary of Maroc Telecom and expanded its field of operations by specializing in information engineering. Casnet 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 Côte d'Ivoire's 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 Benin's 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 Togo's 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 Niger's 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's 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**

Prestige Telecom was deconsolidated from the Group's financial statements following the decision of the extraordinary general meeting held in April 2019 approving its liquidation.

## **Tigo Chad**

Maroc Telecom finalized the purchase of 100% of the operator Tigo Tchad. As the change of control was approved by the Chadian authorities in July, this investment is recorded as "Non-current financial assets" as at 30 June 2019 and will be consolidated in the second half of the year.

## **Other nonconsolidated investments**

Investments whose significance in relation to the consolidated financial statements is not material or in which Maroc Telecom does not directly or indirectly exercise exclusive control, joint control or significant influence are not consolidated and are recorded under "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 investments.

## 3.2 INCOME STATEMENT AND FINANCIAL POSITION

The following table sets out data regarding Maroc Telecom's consolidated income statement for the first-halves of 2019 and 2018:

<i>(In millions of MAD)</i>	Note	H1-2018	H1-2019
<b>Revenues</b>	7	<b>17,939</b>	<b>17,844</b>
Cost of purchases		-2,983	-2,801
Payroll costs		-1,579	-1,550
Taxes and duties		-1,375	-1,469
Other operating income and expenses		-2,977	-2,555
Net depreciation, amortization and provisions		-3,475	-3,607
<b>Earnings from operations</b>		<b>5,549</b>	<b>5,862</b>
Other income and charges from ordinary activities		-6	-5
<b>Earnings from continuing operations</b>		<b>5,543</b>	<b>5,857</b>
Income from cash and cash equivalents		1	1
Gross borrowings costs		-231	-322
<b>Net borrowing costs</b>		<b>-230</b>	<b>-321</b>
Other financial income (expense)		20	-10
<b>Net financial income (expense)</b>		<b>-210</b>	<b>-331</b>
Income tax expense	6	-1,856	-2,040
<b>Net earnings</b>		<b>3,477</b>	<b>3,485</b>
Exchange gain or loss from foreign activities		-113	-59
Other income and expenses		-7	0
<b>Total comprehensive income for the period</b>		<b>3,358</b>	<b>3,426</b>
<b>Net earnings</b>		<b>3,477</b>	<b>3,485</b>
Attributable to equity holders of the parents		3,001	3,022
Minority interests		476	463
<b>Total comprehensive income for the period</b>		<b>3,358</b>	<b>3,426</b>
Attributable to equity holders of the parents		2,920	2,985
Minority interests		438	441
<b>EARNINGS PER SHARE</b>		<b>H1-2018</b>	<b>H1-2019</b>
Net earnings - group share (in millions of MAD)		3,001	3,022
<i>Numbers of shares at June 30</i>		<i>879,095,340</i>	<i>879,095,340</i>
<b>Earnings per share (in MAD)</b>		<b>3.41</b>	<b>3.44</b>
<b>Diluted earnings per share (in MAD)</b>		<b>3.41</b>	<b>3.44</b>

The analysis below presents the various items in Maroc Telecom's consolidated income statement and details their changes over the periods considered.

## COMPARAISON OF THE FIRST-HALVES OF 2019 and 2018

### Revenues

The following table shows the breakdown of revenues for the first-halves of 2019 and 2018.

<i>(In millions of MAD)</i>	H1-2018	H1-2019
Morocco	10,562	10,713
International	8,146	7,824
Eliminations	-769	-693
<b>Total consolidated revenues</b>	<b>17,939</b>	<b>17,844</b>

At the end of June 2019, Maroc Telecom group generated consolidated revenues of MAD17,844 million, up 0.8% (at constant exchange rates) thanks to the growth in Morocco, which compensates the negative impact of the decline in mobile termination rates and international incoming traffic in subsidiaries.

### Operating expenses

The table below shows Maroc Telecom's operating expenses for the first six-month periods of 2019 and 2018.

<i>(In millions of MAD)</i>	H1-2018	H1-2019
Revenues	<b>17,939</b>	<b>17,844</b>
Cost of purchases	2,983	2,801
%	16.6%	15.7%
Payroll costs	1,579	1,550
%	8.8%	8.7%
Taxes and duties	1,375	1,469
%	7.7%	8.2%
Other operating income (expenses)	2,977	2,555
%	16.6%	14.3%
Net depreciation, amortization, impairment and provisions	3,475	3,607
%	19.4%	20.2%
<b>Total operating expenses</b>	<b>12,390</b>	<b>11,982</b>
<b>%</b>	<b>69.1%</b>	<b>67.1%</b>

#### ➤ Cost of purchases

Between the first halves of 2018 and 2019, the Group's cost of purchases decreases from MAD2,983 millions to MAD2,801 millions, a decrease of 6.1%.

#### ➤ Payroll costs

Between the first halves of 2018 and 2019, the Group's personnel expenses decreased slightly by MAD29 millions.

#### ➤ Taxes and duties

Taxes and duties amounted to MAD1,469 millions. Between the first halves of 2018 and 2019, they increased by 6.8%.

## ➤ Operating incomes and expenses

Other operating income and expenses decreased by 14.2% between the first halves of 2018 and 2019.

### Operating profit

The Group's consolidated operating income for the first half of 2019 amounted to MAD5,862 million, up 5.6% compared to the first half of 2018.

### Net financial income

In the first half of 2019, financial income amounted to MAD -331 million, mainly composed of interest expenses of MAD -322 million.

### Tax expense

Between the first halves of 2018 and 2019, the tax charge increased by 10%, which is explained by the increase in income.

### Net income

At the end of June 2019, the net income is up by 0.2% compared to the first half of the previous year.

### Noncontrolling interests

Minority interests, reflecting the interests of shareholders other than Maroc Telecom in the earnings of consolidated entities, amounted to MAD463 millions in the first half of 2019, compared with MAD476 millions in the first half of 2018.

### Net income (Group share)

At the end of June 2019, net income Group share amounted to MAD3,022 millions, up 0.7% compared to the first half of the previous year.

### Net earnings per share

Earnings per share amounted to MAD3.44 in the first half of 2019, compared with MAD3.41 in the first half of 2018, an increase of 0.7%, which remains correlated with the change in net income Group share.

### Cash and cash equivalents

The Group's main resource is the cash generated by its operating activities.

## ➤ Cash flows

The following table summarizes Maroc Telecom's consolidated cash flow for the specific periods.

<i>(In millions of MAD)</i>	H1-2018	H1-2019
Net cash from operating activities (a)	6,338	6,265
Net cash used in investing activities (b)	-4,383	-5,263
Net cash used in financing activities (c)	-2,333	-1,058
Foreign currency translation adjustments (d)	47	-10
Change in cash and cash equivalents (a)+(b)+(c)+(d)	-331	-66
<b>Cash and cash equivalents at beginning of period</b>	<b>2,010</b>	<b>1,700</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,678</b>	<b>1,634</b>

➤ **Net cash flow from operating activities**

At June 30, 2019, the net cash provided by operating activities amounted to MAD6,265 millions, compared with MAD6,338 millions at June 30, 2018, a slight decrease of 1.2%.

➤ **Net cash flow from investing activities**

Net cash used in investing activities decreased by MAD880 million at June 30, 2019. This decrease is due to the acquisition of the Tigo Chad subsidiary by Maroc Telecom and the acquisition of patents and brands in the subsidiaries.

➤ **Net cash flow from financing activities**

At June 30, 2019, net cash used in financing activities improved by MAD1,275 millions compared to the first half of 2018. This variation is due to the new borrowing lines contracted by the subsidiaries during the first half of 2019.

### Tangible and intangible fixed assets

The table below sets out fixed assets acquired by Maroc Telecom Group by geographical area in the relevant periods.

<i>(In millions of MAD)</i>	<b>H1-2018</b>	<b>H1-2019</b>
Morocco	1,376	877
International	2,223	2,351
<b>Total</b>	<b>3,599</b>	<b>3,228</b>

➤ **Investments in Morocco**

Investments in Morocco decreased by 36% at the end of June 2019, from MAD1,376 millions to MAD877 millions.

➤ **International investments**

Investments made by the Group's subsidiaries in the first half of 2019 increased by MAD128 millions compared to the first half of 2018, from MAD2,223 millions to MAD2,351 millions. This change is due to an investment in patents and trademarks.

### Financial resources

In the first half of 2019, Maroc Telecom's net debt amounted to MAD21,034 millions compared with MAD13,872 millions at the end of December 2018.

<i>(In millions of MAD)</i>	<b>12/31/2018</b>	<b>06/30/2019</b>
Outstanding debt and accrued interests (a)	15,605	22,715
Cash*(b)	1,700	1,634
Cash held for repayment of bank loans (c)	34	47
<b>Net debt (a) - (b) - (c)</b>	<b>13,872</b>	<b>21,034</b>

\* Marketable securities are considered as cash equivalents when their investment period does not exceed three months

### 3.3 CONSOLIDATES FINANCIAL STATEMENTS AND NOTES

#### Consolidated statement of financial position at June 30, 2019 and at December 31, 2018

ASSETS (in millions of MAD)	Note	12/31/2018	06/30/2019
Goodwill		8 548	8 507
Other intangible assets		7 681	8 737
Property, plant and equipment		31 301	29 945
Right to use the asset			1 448
Noncurrent financial assets		299	1 510
Deferred tax assets		224	281
<b>Noncurrent assets</b>		<b>48 053</b>	<b>50 428</b>
Inventories		348	338
Trade accounts receivable and other		11 839	12 583
Short-term financial assets		138	111
Cash and cash equivalents	4	1 700	1 634
Assets available for sale		54	54
<b>Current assets</b>		<b>14 078</b>	<b>14 719</b>
<b>TOTAL ASSETS</b>		<b>62 131</b>	<b>65 147</b>
SHAREHOLDERS' EQUITY AND LIABILITIES (in millions of MAD)		12/31/2018	06/30/2019
Share capital		5 275	5 275
Retained earnings		4 383	4 155
Net earnings		6 010	3 022
Equity attributable to equity holders of the parents		<b>15 668</b>	<b>12 452</b>
Minority interests		3 822	3 552
<b>Total shareholders' equity</b>		<b>19 490</b>	<b>16 004</b>
Noncurrent provisions		464	445
Borrowings and other long-term financial liabilities	4	3 475	4 005
Deferred tax liabilities		246	258
Other noncurrent liabilities			
<b>Noncurrent liabilities</b>		<b>4 185</b>	<b>4 709</b>
Trade accounts payable		24 095	23 358
Current tax liabilities		906	1 102
Current provisions		1 325	1 265
Borrowings and other short-term financial liabilities		12 129	18 710
<b>Current liabilities</b>		<b>38 456</b>	<b>44 435</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>62 131</b>	<b>65 147</b>

## Statement of comprehensive income for the six-month period ended June 30, 2019

<i>(In millions of MAD)</i>	Note	H1-2018	H1-2019
<b>Revenues</b>	7	<b>17,939</b>	<b>17,844</b>
Cost of purchases		-2,983	-2,801
Payroll costs		-1,579	-1,550
Taxes and duties		-1,375	-1,469
Other operating income and expenses		-2,977	-2,555
Net depreciation, amortization and provisions		-3,475	-3,607
<b>Earnings from operations</b>		<b>5,549</b>	<b>5,862</b>
Other income and charges from ordinary activities		-6	-5
<b>Earnings from continuing operations</b>		<b>5,543</b>	<b>5,857</b>
Income from cash and cash equivalents		1	1
Gross borrowings costs		-231	-322
<b>Net borrowing costs</b>		<b>-230</b>	<b>-321</b>
Other financial income (expense)		20	-10
<b>Net financial income (expense)</b>		<b>-210</b>	<b>-331</b>
Income tax expense	6	-1,856	-2,040
<b>Net earnings</b>		<b>3,477</b>	<b>3,485</b>
Exchange gain or loss from foreign activities		-113	-59
Other income and expenses		-7	0
<b>Total comprehensive income for the period</b>		<b>3,358</b>	<b>3,426</b>
<b>Net earnings</b>		<b>3,477</b>	<b>3,485</b>
Attributable to equity holders of the parents		3,001	3,022
Minority interests		476	463
<b>Total comprehensive income for the period</b>		<b>3,358</b>	<b>3,426</b>
Attributable to equity holders of the parents		2,920	2,985
Minority interests		438	441
<b>EARNINGS PER SHARE</b>		<b>H1-2018</b>	<b>H1-2019</b>
Net earnings - group share (in millions of MAD)		3,001	3,022
<i>Numbers of shares at June 30</i>		<i>879,095,340</i>	<i>879,095,340</i>
<b>Earnings per share (in MAD)</b>		<b>3.41</b>	<b>3.44</b>
<b>Diluted earnings per share (in MAD)</b>		<b>3.41</b>	<b>3.44</b>

## Consolidated statement of cash flows for the first half of 2018 and 2019

(In millions of MAD)	Note	H1-2018	H1-2019
Earnings from operations		5,549	5,862
Depreciations, depreciation and other adjustments		3,476	3,608
<b>Gross cash from operating activities</b>		<b>9,025</b>	<b>9,470</b>
Other changes in net working capital		-1,117	-1,335
<b>Net cash from operating activities before taxes</b>		<b>7,908</b>	<b>8,135</b>
Tax paid		-1,571	-1,870
<b>Net cash from operating activities (a)</b>		<b>6,338</b>	<b>6,265</b>
Purchase of PP&E and intangible assets		-3,960	-4,219
Increase in financial assets		-589	-1,206
Disposals of PP&E and intangible assets		1	2
Decrease in financial assets		163	202
Dividends received from nonconsolidated investments		1	-42
<b>Net cash used in investing activities (b)</b>		<b>-4,383</b>	<b>-5,263</b>
Capital increase			
Dividends paid to shareholders	3	-5,534	-5,732
Dividends paid by subsidiaries to their noncontrolling interests		-401	-465
<b>Changes in equity</b>		<b>-5,935</b>	<b>-6,197</b>
Borrowings and increase in other long-term financial liabilities		1,315	1,909
Borrowings and increase in other long-term financial liabilities			
Changes in net current accounts		2,571	3,665
Changes in current accounts receivable/financial creditors			
Net interests paid (Cash only)		-269	-403
Other cash expenses (income) used in financing activities		-15	-33
<b>Changes in borrowings and other financial liabilities</b>		<b>3,602</b>	<b>5,139</b>
<b>Net cash used in financing activities (d)</b>		<b>-2,333</b>	<b>-1,058</b>
<b>Effect of foreign currency adjustments (g)</b>		<b>47</b>	<b>-10</b>
<b>Total cash flows (a+b+d+g)</b>		<b>-331</b>	<b>-66</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>2,010</b>	<b>1,700</b>
<b>Cash and cash equivalents at end of period</b>		<b>1,678</b>	<b>1,634</b>

## Statement of changes in consolidated equity at June 30, 2019 and December 31, 2018

<i>(in MAD million)</i>	Share capital	Other comprehensive income	Total Group share	Non controlling interest	Total	Total capitaux propres
<b>Restated position at January 1, 2018</b>	<b>5,275</b>	<b>10,710</b>	<b>-150</b>	<b>15,835</b>	<b>3,916</b>	<b>19,750</b>
<b>Total comprehensive income for the period</b>		<b>3,001</b>	<b>-81</b>	<b>2,920</b>	<b>438</b>	<b>3,358</b>
<i>Change in gains and losses recognized directly in equity and recyclable in profit or loss</i>			-74	-74	-38	-113
Gains and losses on translation			-74	-74	-38	-113
<i>Revaluation differences</i>			-7	-7	0	-7
Revaluation differences on hedging instruments			-7	-7		-7
Revaluation differences on equity instruments				0		0
Change in gains and losses recognized directly in equity and recyclable in profit or loss				0		0
Actuarial difference				0		0
Actuarial gains and losses				0		0
Capital reduction				0		0
Share-based compensation				0		0
Change in interest shares without takeover/loss of control		-337		-337	-132	-469
Change in interest shares with gain/loss of control				0		0
Dividends		-5,696		-5,696	-777	-6,473
Treasury stock		-17		-17		-17
Other adjustments		0		0	0	0
<b>Restated position at June 30, 2018</b>	<b>5,275</b>	<b>7,661</b>	<b>-231</b>	<b>12,705</b>	<b>3,444</b>	<b>16,149</b>
<b>Total comprehensive income for the period</b>		<b>3,009</b>	<b>-75</b>	<b>2,934</b>	<b>401</b>	<b>3,336</b>
<i>Change in gains and losses recognized directly in equity and recyclable in profit or loss</i>			-80	-80	-46	-126
Gains and losses on translation			-80	-80	-46	-126
<i>Revaluation differences</i>			6	6	-5	1
Revaluation differences on hedging instruments			20	20	-5	15
Revaluation differences on equity instruments				0		0
Change in gains and losses recognized directly in equity and recyclable in profit or loss				0		0
Actuarial difference			-14	-14		-14
Capital increase				0		0
Capital reduction				0		0
Share-based compensation				0		0
Change in interest shares without takeover/loss of control		-8		-8	6	-2
Change in interest shares with gain/loss of control				0		0
Dividends				0	-30	-30
Treasury stock		37		37		37
Other adjustments				0	0	0
<b>Position at December 31, 2018</b>	<b>5,275</b>	<b>10,699</b>	<b>-306</b>	<b>15,668</b>	<b>3,821</b>	<b>19,490</b>
<b>Total comprehensive income for the period</b>		<b>3,022</b>	<b>-37</b>	<b>2,985</b>	<b>441</b>	<b>3,426</b>
<i>Change in gains and losses recognized directly in equity and recyclable in profit or loss</i>			-37	-37	-22	-59
Gains and losses on translation			-37	-37	-22	-59
<i>Revaluation differences</i>			0	0	0	0
Revaluation differences on hedging instruments				0		0
Revaluation differences on equity instruments				0		0
Changes in gains and losses recognised directly in equity and not recyclable in profit or loss				0		0
Actuarial gains and losses			0	0		0
Capital increase				0		0
Capital reduction				0		0
Share-based compensation				0		0
Change in interest shares without takeover/loss of control				0		0
Change in interest shares with gain/loss of control		14		14		14
Dividends		-6,003		-6,003	-863	-6,866
Treasury stock		-21		-21		-21
Other adjustments		-191		-191	152	-39
<b>Position at June 30, 2019</b>	<b>5,275</b>	<b>7,520</b>	<b>-343</b>	<b>12,452</b>	<b>3,551</b>	<b>16,004</b>

At June 30, 2019, Maroc Telecom's share capital comprised 879,095,340 ordinary shares. Ownership of the shares was as follows:

- SPT\*: 53%;
- Kingdom of Morocco: 22%\*\*;
- Other: 25%.

\* SPT is a Moroccan company controlled by Etisalat.

\*\* The Moroccan State sold 8% of the capital and voting rights of Itissalat Al-Maghrib through a block sale on June 17, 2019 (6% of the capital) and a public offering closed on July 16, 2019 (2% of the capital). After completion of this transaction, the Kingdom of Morocco holds 22% of Maroc Telecom's share capital and voting rights.

## Note 1. Accounting principles and valuation methods

The highlights of the semester are described on page 4 and 5 of this financial report.

### 1.1 HIGHLIGHTS

- Group's total customer base, close to 63 million subscribers, up 3.9%;
- Consolidated revenues up 0.8% (at constant exchange rates), thanks to the growth in Mobile Data revenue in Morocco (+19.7%) and in the subsidiaries (+24.6%);
- EBITDA up sharply (+5.1% on a like-for-like basis\*), thanks to cost optimization;
- Group share of adjusted Net Income up 1.8% (on a like-for-like basis\* );
- Adjusted Consolidated Cash Flow From Operations up 30.6% on like-for-like basis\*.

### 1.2 ACCOUNTING PRINCIPLES AND VALUATION METHODS

The accounting principles used to prepare the interim consolidated financial statements for the six months ended 30 June 2019 are identical to those used for the year ended 31 December 2018, in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union as of today.

The interim consolidated financial statements at June 30, 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting", which permits the presentation of selected explanatory notes. These consolidated financial statements should be read in conjunction with the 2018 consolidated financial statements.

The interim consolidated financial statements at June 30, 2019, together with the notes thereto, were approved by Maroc Telecom's Executive Board on July 16, 2019.

#### **Application de la norme 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. 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.

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1\* Like-for-like basis refers to unchanged MAD/Ouguiya/ CFA Franc exchange rates and the neutralization of the application of IFRS 16

-Leases where the payment is variable.

IFRS 16 requires an entity to set the term of the lease as a non-cancelable period, to which may be added an agreement for any time-extension that the tenant has reasonable certainty of exercising or, as the case may be, of not exercising without exceeding the execution period of the lease. The Group has used historical lease data to assess the options offered.

After analyzing the leases of the various subsidiaries and regions, the Group has defined four main categories of use rights (land, buildings, technical facilities, transportation equipment).

In accordance with IFRS 16, the Group uses IAS 16 rates and methods for depreciating use-right assets.

The Group has opted for the marginal borrowing rate to discount financial debt flows, which is set by reference to the market and maturity.

The recognition of leases in the balance sheet depends on the following factors:

- The reasonably certain term adopted for each lease.
- The fixed and variable components of contractual payment. It should be noted that the Group has opted for the option not to dissociate the contractual service charges from the lease.
- The marginal borrowing rate defined by the Group based on the term and region of each lease.
- The depreciation term applicable to each asset class.

The Group has also deployed a dedicated IT solution to monitor leases and calculate the impact of IFRS 16.

It should be noted that, in accordance with the transitional provisions of paragraph C10d, acquisition costs are not capitalized.

The Group uses the simplified retrospective approach by recognizing the combined impact on shareholders' equity of the initial application of the IFRS norme at first adoption without adjusting comparative periods.

## Note 2. Scope of consolidation at June 30, 2019 and December 31, 2018

<i>Company</i>	<i>Legal form</i>	<i>% Group interest</i>	<i>% Capital held</i>	<i>Consolidation method</i>
<b>Maroc Telecom</b> Avenue Annakhil Hay Riad Rabat-Maroc	SA	100%	100%	FC
<b>Compagnie Mauritanienne de Communication (CMC)</b> 30 June 2019 31 December 2018 563, Avenue Roi Fayçal Nouakchott-Mauritanie	SA	80%	80%	FC
<b>Mauritel SA</b> 30 June 2019 31 December 2018 Avenue Roi Fayçal Nouakchott-Mauritanie	SA	41%	52%	FC
<b>Onatel</b> 30 June 2019 31 December 2018 705, AV. de la nation 01 BP10000 Ouagadougou – Burkina Faso	SA	61%	61%	FC
<b>Gabon Telecom</b> 30 June 2019 31 December 2018 Immeuble 9 étages, BP 40 000 Libreville-Gabon	SA	51%	51%	FC
<b>Sotelma</b> 30 June 2019 31 December 2018 Route de Koulikoro, quartier Hippodrome, BP 740, Bamako-Mali	SA	51%	51%	FC
<b>Casamet</b> 30 June 2019 31 December 2018 Imm Riad 1, RDC, Avenue Annakhil Hay Riad Rabat-Maroc	SA	100%	100%	FC
<b>Atlantique Telecom Côte d'Ivoire</b> 30 June 2019 31 December 2018 Abidjan-Plateau, Immeuble KARRAT, Avenue Botreau Roussel	SA	85%	85%	FC
<b>Etisalat Bénin</b> 30 June 2019 31 December 2018 Cotonou, ilot 553, quartier Zongo Ehuzu, zone résidentielle, avenue Jean Paul 2, immeuble Etisalat	SA	100%	100%	FC
<b>Atlantique Telecom Togo</b> 30 June 2019 31 December 2018 Boulevard de la Paix, Route de l'Aviation, Immeuble Moov-Etisalat - Lomé	SA	95%	95%	FC
<b>Atlantique Telecom Niger</b> 30-juin-19 31 December 2018 720 Boulevard du 15 avril Zone Industrielle, BP 13 379, Niamey	SA	100%	100%	FC
<b>Atlantique Telecom Centrafrique</b> 30 June 2019 31 December 2018 Bangui, BP 2439, PK 0, Place de la République, Immeuble SOCIM, rez-de-chaussée	SA	100%	100%	FC
<b>Prestige Telecom Côte d'Ivoire</b> 30 June 2019 31 December 2018 Grand Bassam Zone Franche VITIB Complexe IIAO, 01 BT 8592 Abidjan	SA	0%	0%	FC

## Note 3. Dividends

<i>(In millions of MAD)</i>	H1-2018	H1-2019
<b>Dividends received from equity affiliates to their minority shareholder (a)</b>		
<b>Total (a)</b>	<b>777</b>	<b>863</b>
<b>Dividends paid by Maroc Telecom to its shareholders (b)</b>		
Kingdom of Morocco	1,709	1,801
Etisalat	3,019	3,182
Others	967	1,019
<b>Total (b)</b>	<b>5,696</b>	<b>6,003</b>
<b>Total dividends paid (a) + (b)</b>	<b>6,473</b>	<b>6,866</b>

The Ordinary General Meeting of 23 April 2019, ruling under the quorum and majority rules required for Ordinary General Meetings, decided to distribute a dividend of MAD6.83 for each of the shares comprising the share capital and entitled to it by virtue of their dividend entitlement date. The total amount of dividends paid by IAM to its shareholders was increased to MAD6,003 millions.

Dividends distributed by subsidiaries to their minority shareholders amounted to MAD863 millions.

## Note 4. Borrowings and other financial liabilities at June 30, 2019 and December 31, 2018

<i>(In millions of MAD)</i>	12/31/2018	06/30/2019
Borrowings due less than one year	3,475	2,977
Rental obligation at +1 year		1,029
Borrowings due more than one year	2,743	3,966
Rental obligation at -1 year	5	333
Facilities and overdrafts	9,381	14,411
<b>Borrowings and financial liabilities</b>	<b>15,605</b>	<b>22,715</b>
Cash	1,700	1,634
Blocked cash	34	47
<b>Net debt</b>	<b>13,872</b>	<b>21,034</b>

Maroc Telecom group's net debt increased from MAD13,872 millions at December 31, 2018 to MAD21,034 millions at June 30, 2019. This change is mainly explained by the distribution of dividends to shareholders of the Group's various entities and the impact of the application of IFRS16.

As a reminder, net debt at the end of June 2018 amounted to MAD17,129 millions.

### 4.1. BREAKDOWN OF NET DEBT BY MATURITY

#### Half year ended June 30, 2019

<i>(In millions of MAD)</i>	Due less than 1 year	1 to 5 years	Due more than 5 years	TOTAL
Borrowings	3,966	2,977		6,942
Rental obligation	333	1,029		1,362
Facilities and overdrafts	14,411			14,411
Borrowings and financial liabilities	<b>18,710</b>	<b>4,005</b>	-	<b>22,715</b>
Cash	1,634			1,634
Blocked cash	47			47
<b>Net debt</b>	<b>17,029</b>	<b>4,005</b>	-	<b>21,034</b>

## Full December 31, 2018

<i>(In millions of MAD)</i>	Due less than 1 year	1 to 5 years	Due more than 5 years	TOTAL
Borrowings	2,748	3,433	43	6,223
Facilities and overdrafts	9,381			9,381
<b>Borrowings and financial liabilities</b>	<b>12,129</b>	<b>3,433</b>	<b>43</b>	<b>15,605</b>
Cash	1,700			1,700
Blocked cash	34			34
<b>Net debt</b>	<b>10,396</b>	<b>3,433</b>	<b>43</b>	<b>13,872</b>

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

### 4.2 BORROWING AND OTHER FINANCIAL LIABILITIES BY GEOGRAPHICAL AREA

<i>(In millions of MAD)</i>	12/31/2018	06/30/2019
<b>Morocco</b>	<b>10,427</b>	<b>15,794</b>
<b>International</b>	<b>5,177</b>	<b>6,921</b>
<b>Borrowings and other financial liabilities</b>	<b>15,605</b>	<b>22,715</b>

## Note 5. Restructuring expenses at June 30, 2019 and December 31, 2018

None

## Note 6. Income tax payable for the first half of 2019 and 2018

<i>(In millions of MAD)</i>	H1-2018	H1-2019
Income tax	1,872	2,063
Deferred taxes	-15	10
Tax provisions	-1	-33
<b>Current tax</b>	<b>1,856</b>	<b>2,040</b>
<b>Consolidated effective tax rate *</b>	<b>34.8%</b>	<b>36.9%</b>

\* Income taxes / income before taxes

The tax charge at 30 June 2019 increased by 10% compared to the first half of 2018. This increase is explained by the change in the level of activity, mainly in Morocco.

The effective tax rate was 36.9% in the first half of 2019.

## Note 7. Segment data for the first six-month periods of 2019 and 2018

### Segment earnings by geographical area

#### First half of 2019

<i>(In millions MAD)</i>	Morocco	International	Eliminations	Total
Revenues	10,713	7,824	-692	<b>17,844</b>
Earnings from operations	4,170	1,692		<b>5,862</b>
Net depreciation and impairment of assets	2,046	1,562		<b>3,607</b>
Voluntary redundancy plan				-

## First half of 2018

<i>(In millions MAD)</i>	Morocco	International	Eliminations	Total
Revenues	10,592	8,311	-964	17,939
Earnings from operations	3,677	1,872	0	5,549
Net depreciation and impairment of assets	2,010	1,465		3,475
Voluntary redundancy plan	2			2

## Note 8. Contractual commitments and contingent assets and liabilities

### 8.1. CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS RECORDED IN THE BALANCE SHEET

Half year ended June 30, 2019

<i>(In millions of MAD)</i>	Total	Due less than 1 year	1 to 5 years	Due more than 5 years
Long-term debts	22,715	18,710	4,005	-
Capital lease obligations	-			
Operating leases *	63	50	13	
Irrevocable purchase obligations	-			
Other long-term commitments	-			
<b>Total</b>	<b>22,778</b>	<b>18,759</b>	<b>4,018</b>	<b>-</b>

\* Leases that do not fall within the scope of the new IFRS 16 standard

### 8.2. CONTINGENT LIABILITIES

None.

### 8.3. OTHER COMMITMENT GIVEN AND RECEIVED IN THE COURSE OF ORDINARY BUSINESS

<i>(In millions of MAD)</i>	H1-2018	H1-2019
<b>Commitments given</b>	<b>3,147</b>	<b>3,651</b>
<i>Investment commitment</i>	1,499	1,653
<i>Downstream commitments and signature with banks</i>	1,030	1,417
<i>Operating and financing lease commitments</i>	154	63
<i>Satellite rental commitments</i>	34	34
<b>Other commitments</b>	<b>427</b>	<b>483</b>
<i>Network maintenance contracts with Ericsson</i>	82	55
<i>Commitments on operating expenses</i>	345	426
<b>Other commitments</b>	<b>2</b>	<b>2</b>
<i>Recovery of guarantees given by Etisalat on the financing of the Atlantic subsidiaries</i>	2	2
<i>Forward sale commitment</i>	-	-

<i>(In millions of MAD)</i>	H1-2018	H1-2019
<b>Commitments received</b>	<b>1,327</b>	<b>1,209</b>
<i>Guarantees and endorsements</i>	1,327	1,209
<i>Other commitments received</i>	0	0
<i>Forward purchase commitment</i>	0	0
<i>Commitment of the Moroccan State to contribute the assets of social works</i>	0	0
<b>Investment agreement</b> : exemption from customs duties on imports related to investments	0	0

### Note 9. Subsequent events

None.

## Note 10. IFRS 16

### 10.1- ASSET-CLASS-BASED USAGE RIGHTS:

<i>(In millions MAD)</i>	<i>Carrying value</i>	<i>Asset entry</i>	<i>Depreciation/Amortization</i>
Land	668	107	-68
Buildings	280	27	-38
Technical facilities	351	236	-48
Transportation equipment	150	0	-20
Office equipment	0	0	0
Other assets	0	0	0
<b>Total</b>	<b>1,448</b>	<b>1,117</b>	<b>-174</b>

### 10.2- IMPACT OF LEASE OBLIGATIONS :

	<b>H1-2019</b>
Interest expense	30
Lease-related payments	254

### 10.3- OCCUPANCY EXPENSES OUTSIDE THE SCOPE OF IFRS 16 :

	<b>H1-2019</b>
Leases with term ≤12 months	98
Leases with low underlying asset value	2
Leases with variable payments	0
Leases with no presumed control of occupancy right	0
<b>Total</b>	<b>100</b>

## 3.4 STATUTORY FINANCIAL STATEMENTS

At 06/30/2019

ASSETS (In MAD thousand)	Gross	Amortization and provisions	NET	PREVIOUS EXERCICE NET 12/31/2018
<b>CAPITALIZED COSTS (A)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
.Start-up costs	0	0	0	0
.Deferred costs	0	0	0	0
.Bond redemption premiums	0	0	0	0
<b>INTANGIBLE ASSETS (B)</b>	<b>12,177,603</b>	<b>10,003,687</b>	<b>2,173,916</b>	<b>2,340,165</b>
.Research and development costs	0	0	0	0
.Patents, trademarks, and similar rights	11,831,098	9,934,682	1,896,416	1,999,535
.Goodwill	70,717	69,005	1,712	2,933
.Other intangible assets	275,788	0	275,788	337,697
<b>PROPERTY, PLANT, AND EQUIPMENT (C)</b>	<b>70,106,864</b>	<b>52,503,708</b>	<b>17,603,156</b>	<b>18,430,398</b>
.Land	955,370	0	955,370	955,370
.Buildings	7,755,057	4,956,183	2,798,875	2,828,809
.Technical plant, machinery, and equipment	54,097,643	42,850,079	11,247,565	11,840,471
.Vehicles	273,250	58,277	214,972	223,353
.Office equipment, furniture, and fittings	4,773,955	4,339,608	434,347	462,427
.Other property, plant, and equipment	11,048	0	11,048	11,048
.Work in progress	2,240,540	299,562	1,940,979	2,108,920
<b>FINANCIAL ASSETS (D)</b>	<b>13,668,739</b>	<b>183,558</b>	<b>13,485,181</b>	<b>12,506,455</b>
.Long-term loans	2,185,988	0	2,185,988	2,369,330
.Other financial receivables	4,047	0	4,047	4,223
.Equity investments	11,478,704	183,558	11,295,146	10,132,903
.Other investments and securities	0	0	0	0
<b>UNREALISED FOREIGN EXCHANGE LOSSES (E)</b>	<b>10,161</b>	<b>0</b>	<b>10,161</b>	<b>18,725</b>
.Decrease in long-term receivables	10,161	0	10,161	6,294
.Increase in long-term debt	0	0	0	12,432
<b>TOTAL I (A+B+C+D+E)</b>	<b>95,963,367</b>	<b>62,690,953</b>	<b>33,272,414</b>	<b>33,295,745</b>
<b>INVENTORIES (F)</b>	<b>325,044</b>	<b>134,320</b>	<b>190,724</b>	<b>218,209</b>
.Merchandise	217,589	85,480	132,109	158,775
.Raw materials and supplies	107,455	48,840	58,615	59,434
.Work in progress	0	0	0	0
.Intermediary and residual goods	0	0	0	0
.Finished goods	0	0	0	0
<b>CURRENT RECEIVABLES (G)</b>	<b>16,734,134,553</b>	<b>8,039,188,642</b>	<b>8,694,945,911</b>	<b>7,266,626,921</b>
.Trade payables, advances and deposits	45,466	0	45,466	13,102
.Accounts receivable and related accounts	14,021,691	7,753,755	6,267,937	5,818,969
.Employees	5,580	0	5,580	4,369
.Tax receivable	385,947	0	385,947	385,359
.Shareholders' current accounts	0	0	0	0
.Other receivables	1,947,878	285,434	1,662,444	689,817
.Accruals	327,571	0	327,571	355,009
<b>MARKETABLE SECURITIES (H)</b>	<b>129,263,797</b>	<b>0</b>	<b>129,263,797</b>	<b>128,806,452</b>
<b>UNREALIZED FOREIGN EXCHANGE LOSSES (I)</b> (current items)	<b>43,077,798</b>	<b>0</b>	<b>43,077,798</b>	<b>64,762,719</b>
<b>TOTAL II (F+G+H+I)</b>	<b>17,231,520,424</b>	<b>8,173,508,669</b>	<b>9,058,011,755</b>	<b>7,678,405,036</b>
<b>CASH AND CASHEQUIVALENTS</b>	<b>486,190,546</b>	<b>0</b>	<b>486,190,546</b>	<b>397,735,267</b>
.Checks	142,219	0	142,219	0
.Bank deposits	340,807	0	340,807	394,833
.Petty cash	3,165	0	3,165	2,903
<b>TOTAL III</b>	<b>486,190,546</b>	<b>0</b>	<b>486,190,546</b>	<b>397,735,267</b>
<b>TOTAL GENERAL I+II+III</b>	<b>113,681,077,847</b>	<b>70,864,461,595</b>	<b>42,816,616,253</b>	<b>41,371,884,912</b>

At 06/30/2019

SHAREHOLDERS' EQUITY AND LIABILITIES (In MAD thousand)		EXERCICE	EXERCICE NET 12/31/2018
<b>SHAREHOLDERS' EQUITY</b>	<b>(A)</b>	<b>13,726,285</b>	<b>15,968,628</b>
Share capital (1)		5,274,572	5,274,572
Less: capital subscribed and not paid-in		0	0
Paid-in capital		0	0
Additional paid-in capital		0	0
Revaluation difference		0	0
Statutory reserve		879,095	879,095
Other reserves		3,811,903	3,514,240
Retained earnings (2)		0	0
Unallocated income (2)		0	0
Net income of the year (2)		3,760,715	6,300,721
<b>QUASI-EQUITY</b>	<b>(B)</b>	<b>0</b>	<b>0</b>
Investment subsidies		0	0
Regulated provisions		0	0
<b>DEBENTURE BONDS</b>	<b>(C)</b>	<b>1,985,642</b>	<b>2,713,506</b>
Debenture bonds		0	0
Other long-term debt		1,985,642	2,713,506
<b>PROVISIONS</b>	<b>(D)</b>	<b>25,625</b>	<b>34,190</b>
Provisions for contingencies		10,161	18,725
Provisions for losses		15,465	15,465
<b>UNREALIZED FOREIGN EXCHANGE GAINS</b>	<b>(E)</b>	<b>23</b>	<b>92</b>
Increase in long-term receivables		23	92
Decrease in long-term debt		0	0
<b>TOTAL I (A+B+C+D+E)</b>		<b>15,737,576</b>	<b>18,716,416</b>
<b>CURRENT LIABILITIES</b>	<b>(F)</b>	<b>12,673,538</b>	<b>13,136,149</b>
Accounts payable and related accounts		6,183,333	6,874,507
Trade receivables, advances and down payments		94,719	140,135
Payroll costs		873,996	1,024,899
Social security contributions		74,877	76,358
Tax payable		3,773,672	3,042,619
Shareholders' current accounts		1	1
Other payables		253,717	489,036
Accruals		1,419,222	1,488,593
<b>OTHER PROVISIONS FOR CONTINGENCIES AND LOSSES</b>	<b>(G)</b>	<b>1,445,666</b>	<b>1,495,110</b>
<b>UNREALIZED FOREIGN EXCHANGE GAINS (Current items)</b>	<b>(H)</b>	<b>38,917</b>	<b>34,519</b>
<b>Total II (F+G+H)</b>		<b>14,158,122</b>	<b>14,665,778</b>
<b>BANK OVERDRAFTS</b>		<b>12,920,919</b>	<b>7,989,691</b>
Discounted bills		0	0
Treasury loans		0	0
Bank loans and overdrafts		12,920,919	7,989,691
<b>Total III</b>		<b>12,920,919</b>	<b>7,989,691</b>
<b>TOTAL GENERAL I-II+III</b>		<b>42,816,616</b>	<b>41,371,885</b>

**STATEMENT OF COMPREHENSIVE INCOME (EXCLUSIVE OF VAT)**

**From 01/01/19 at 06/30/19**

(In MAD thousand)	<b>OPERATIONS</b>		<b>TOTAL OF THE YEAR</b>	<b>TOTAL AT 06/30/2019</b>
	<i>Specific to the year</i>	<i>Previous exercise</i>		
<b>I- OPERATING INCOME</b>	10,650,916		10,650,916	10,539,667
Sales of goods	196,347		196,347	195,936
Sales of manufactured goods and services rendered	10,126,948		10,126,948	10,022,861
<b>Operating revenues</b>	<b>10,323,295</b>		<b>10,323,295</b>	<b>10,218,796</b>
Change in inventories	0		0	0
Company-constructed assets	0		0	0
Operating subsidies	0		0	0
Other operating income	14,752		14,752	17,119
Operating write-backs: expense transfers	312,868		312,868	303,751
<b>TOTAL I</b>	<b>10,650,916</b>		<b>10,650,916</b>	<b>10,539,667</b>
<b>II- OPERATING EXPENSES</b>	<b>6,663,665</b>		<b>6,663,665</b>	<b>6,993,916</b>
Cost of goods sold	312,880		312,880	358,586
Raw materials and supplies	1,684,618		1,684,618	1,794,633
Other external expenses	1,319,509		1,319,509	1,382,580
Taxes (except corporate income tax)	102,004		102,004	113,921
Payroll, costs	1,108,845		1,108,845	1,111,433
Other operating expenses	2,540		2,540	2,540
Operating allowances for amortization	1,772,134		1,772,134	1,774,821
Operating allowances for provisions	361,134		361,134	455,402
<b>TOTAL II</b>	<b>6,663,665</b>		<b>6,663,665</b>	<b>6,993,916</b>
<b>III- OPERATING INCOME I-II</b>	<b>3,987,251</b>		<b>3,987,251</b>	<b>3,545,750</b>
<b>IV- FINANCIAL INCOME</b>	<b>1,274,507</b>		<b>1,274,507</b>	<b>1,492,685</b>
Income from equity investments and other financial investments and other financial investments	944,170		944,170	1,001,624
Foreign exchange gains	133,620		133,620	243,056
Interest and other financial income	113,229		113,229	132,401
Financial write - backs: expense transfers	83,488		83,488	115,603
<b>TOTAL IV</b>	<b>1,274,507</b>		<b>1,274,507</b>	<b>1,492,685</b>
<b>V- FINANCIAL EXPENSES</b>	<b>292,097</b>		<b>292,097</b>	<b>406,284</b>
Interest and loans	116,121		116,121	119,846
Foreign exchange losses	122,449		122,449	191,101
Other financial expenses	289		289	922
Financial allowances	53,239		53,239	94,415
<b>TOTAL V</b>	<b>292,097</b>		<b>292,097</b>	<b>406,284</b>
<b>VI- FINANCIAL INCOME IV - V</b>	<b>982,411</b>		<b>982,411</b>	<b>1,086,401</b>
<b>VII- ORDINARY INCOME III + VI</b>	<b>4,969,662</b>		<b>4,969,662</b>	<b>4,632,151</b>
<b>VIII- EXTRAORDINARY INCOME</b>	<b>263,017</b>		<b>263,017</b>	<b>201,328</b>
Proceeds from disposal of fixed assets	1,143		1,143	1,152
Subsidies received	0		0	0
Write-backs of investment subsidies	0		0	0
Other extraordinary income	196,612		196,612	126,988
Extraordinary write-backs: expense transfers	65,261		65,261	73,188
<b>TOTAL VIII</b>	<b>263,017</b>		<b>263,017</b>	<b>201,328</b>
<b>IX- EXTRAORDINARY EXPENSES</b>	<b>237,825</b>		<b>237,825</b>	<b>101,009</b>
Net book value of disposed assets	23,283		23,283	1,873
Subsidies granted	0		0	0
Other extraordinary expenses	107,891		107,891	9,182
Regulated provisions	0		0	0
Extraordinary allowances for depreciation and provisions	106,651		106,651	89,954
<b>TOTAL IX</b>	<b>237,825</b>		<b>237,825</b>	<b>101,009</b>
<b>X- NON-CURRENT INCOME VIII - IX</b>	<b>25,191</b>		<b>25,191</b>	<b>100,318</b>
<b>XI- PRE-TAX INCOME VII + X</b>	<b>4,994,853</b>		<b>4,994,853</b>	<b>4,732,470</b>
<b>XII- CORPORATE INCOME TAX</b>	<b>1,234,138</b>		<b>1,234,138</b>	<b>1,119,254</b>
<b>XIII- NET INCOME XI - XII</b>	<b>3,760,715</b>		<b>3,760,715</b>	<b>3,613,216</b>
<b>XIV- TOTAL REVENUES ( I+IV+VIII)</b>	<b>12,188,440</b>		<b>12,188,440</b>	<b>12,233,679</b>
<b>XV- TOTAL EXPENSES ( II+V+IX+XII)</b>	<b>8,427,725</b>		<b>8,427,725</b>	<b>8,620,463</b>
<b>XVI- NET INCOME (total income - total expenses)</b>	<b>3,760,715</b>		<b>3,760,715</b>	<b>3,613,216</b>

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 halves year:

<i>In MAD million</i>	H1 2017	H1 2018	H1 2019	Change 19/18
<b>Revenues</b>	<b>9,754</b>	<b>10,219</b>	<b>10,323</b>	<b>1.0%</b>
<b>Operating income</b>	<b>3,319</b>	<b>3,546</b>	<b>3,987</b>	<b>12.5%</b>
<b>Financial income</b>	<b>1,066</b>	<b>1,086</b>	<b>982</b>	<b>-9.6%</b>
<b>Income tax expense</b>	<b>-1,019</b>	<b>-1,119</b>	<b>-1,234</b>	<b>10.3%</b>
<b>Non-current income</b>	<b>-59</b>	<b>100</b>	<b>25</b>	<b>74.9%</b>
<b>Net income</b>	<b>3,307</b>	<b>3,613</b>	<b>3,761</b>	<b>4.1%</b>
<b>Investments</b>	<b>1,717</b>	<b>1,317</b>	<b>820</b>	<b>-37.7%</b>

### Key elements of the income statement

#### Revenues

Maroc Telecom's revenues for the first half of 2019 amounted to MAD10.323 billion, up 1% compared to the first half of 2018.

#### Operating income and net income

Operating income increased from MAD3.546 billion to MAD3.987 billion, an increase of 12.5% compared to the first half of 2018. This improvement is mainly due to lower operating expenses.

Financial income decreased by 9.6% to MAD982 millions from MAD1,086 millions in the first half of 2018. This change is mainly due to a slight decrease in income from subsidiaries (dividends and interest on shareholder loans).

Non-current income for the first half of 2019 amounted to MAD25 millions compared with MAD100 millions in the first half of 2018. This variation is mainly due to the introduction, by the 2019 Finance Act, of a social solidarity contribution on profits.

With pre-tax income of MAD4,995 millions and income tax of MAD1,234 millions, net income amounted to MAD3,761 millions, up 4.1%.

## Balance sheet

At June 30, 2019, the balance sheet total amounted to MAD42,817 millions, up 3.5% compared to the previous year.

### Breakdown of assets

<i>(Assets in millions of Moroccan dirhams)</i>	NET			Change 19/18
	2017	2018	H1 2019	
Capitalized costs	0	0	0	0.0%
Net intangible assets	2,472	2,340	2,174	-7.1%
Net property, plant and equipment	19,368	18,430	17,603	-4.5%
Net financial assets	12,387	12,506	13,485	7.8%
Unrealized foreign exchange losses	54	19	10	-45.7%
<b>Fixed assets</b>	<b>34,281</b>	<b>33,296</b>	<b>33,272</b>	<b>-0.1%</b>
<b>Current assets</b>	<b>7,725</b>	<b>7,678</b>	<b>9,058</b>	<b>18.0%</b>
<b>Cash and cash equivalent - equity</b>	<b>498</b>	<b>398</b>	<b>486</b>	<b>22.2%</b>
<b>Total assets</b>	<b>42,503</b>	<b>41,372</b>	<b>42,817</b>	<b>3.5%</b>

Net fixed assets amounted to MAD33,272 millions at June 30, 2019, compared with MAD33,296 millions at the end of the previous year. It represents 78% of total assets and has decreased by 0.1% since 2018.

Net intangible assets amounted to MAD2,174 millions in June 2019, compared with MAD2,340 millions in 2018.

Net property, plant and equipment decreased by 4.5%, from MAD18,430 millions in December 2018 to MAD17,603 million in June 2019.

Net financial assets amounted to MAD13,485 millions in June 2019, compared with MAD12,506 millions in 2018 following the acquisition of new investments.

Current assets excluding investments (excluding those related to price stabilization) amounted to MAD9,058 millions in 2019, compared with MAD7,678 millions in 2018, an 18% increase mainly due to the recognition of dividends from subsidiaries whose payment due dates coincide with the second half of the year.

Net cash and cash equivalents, including investments (excluding that relating to price adjustments), amounted to MAD12,435 million at June 30, 2019, compared with -MAD7,592 million at December 31, 2018. This increase in net cash flow is due to the cash flows generated during the year, which only partially offset the distribution of the ordinary dividend, the investment program for the period, the payment of the last tranche relating to the acquisition of the Alysse subsidiaries, as well as the acquisition of new investments.

## Liabilities and liability items

(Liabilities in MAD millions)	NET			Change 19/18
	2017	2018	H1 2019	
Net equity	15,364	15,969	13,726	-14.0%
o/w net income for the year	5,699	6,301	3,761	-
Financial debt	3,868	2,714	1,986	-26.8%
Provisions for risks and charges exceeding one year	70	34	26	-25.1%
Unrealized foreign exchange gains	36	0	0	-74.6%
<b>Total permanent financing</b>	<b>19,338</b>	<b>18,716</b>	<b>15,738</b>	<b>-15.9%</b>
<b>Current liabilities</b>	<b>15,764</b>	<b>14,666</b>	<b>14,158</b>	<b>-3.5%</b>
<b>Cash and cash equivalent-liabilities</b>	<b>7,401</b>	<b>7,990</b>	<b>12,921</b>	<b>61.7%</b>
<b>Total shareholders' equity and liabilities</b>	<b>42,503</b>	<b>41,372</b>	<b>42,817</b>	<b>3.5%</b>

Taking into account the profit for the period of MAD3,761 millions and the distribution of a dividend of MAD6 billion, net equity at June 30, 2019 amounted to MAD13,726 millions, compared with MAD15,969 millions in 2018.

Financing liabilities amounted to MAD1,986 million at June 30, 2019, compared with MAD2,714 millions at December 31, 2018. These debts mainly correspond to the MAD1,979 millions loan granted to Maroc Telecom by the Etisalat group to finance the investments of these subsidiaries.

Cash and cash equivalents increased by 61.7% to MAD12,921 millions from MAD7,990 millions in 2018.



## 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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Avenue Annakhil, Hay Riad Rabat, Maroc

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