Exhibit II-39

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended December 31, 2019

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______
Commission file number 001-32327

The Mosaic Company
(Exact name of registrant as specified in its charter)

Delaware	**20-1026454**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

101 East Kennedy Blvd
Suite 2500
Tampa, Florida 33602
(800) 918-8270
(Address and zip code of principal executive offices and registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	MOS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2019, the aggregate market value of the registrant's voting common stock held by stockholders, other than directors, executive officers, subsidiaries of the Registrant and any other person known by the Registrant as of the date hereof to beneficially own ten percent or more of any class of Registrant's outstanding voting common stock, and consisting of shares of Common Stock, was approximately $9.8 billion based upon the closing price of a share of Common Stock on the New York Stock Exchange on that date.

Indicate the number of shares outstanding of each of the registrant's classes of common stock: 378,764,442 shares of Common Stock as of February 1, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the registrant's definitive proxy statement to be delivered in conjunction with the 2020 Annual Meeting of Stockholders (Part III)

With the Sixth Circuit Court of Appeals no longer having jurisdiction, that court lifted its 2015 nationwide stay in February 2018. After the nationwide stay was lifted, a number of U.S. District Courts revived dormant litigation that challenged the 2015 Clean Water Rule. In June 2018, the U.S. District Court for the Southern District of Georgia entered an injunction against implementation of the 2015 Clean Water Rule covering 11 states, including Florida. As of September 2018, federal district courts have put the 2015 Clean Water Rule on hold in 28 states, the District of Columbia and the U.S. territories.

On December 11, 2018, EPA and the Corps issued a proposed rule to replace the 2015 Clean Water Rule. The agencies' stated interpretation for the proposed rule is to provide clarity, predictability and consistency so that the regulated community can better understand where the Clean Water Act applies and where it does not.

On September 12, 2019, EPA and the Corps jointly issued a final regulation that repeals the 2015 Clean Water Rule and restores the previous regulatory regime. This regulation reestablishes national consistency by returning all jurisdictions to the longstanding regulatory framework that existed prior to the 2015 Clean Water Rule. The final rule takes effect sixty (60) days after publication in the Federal Register. A challenge to this legislation is possible.

Repeal of the 2015 Clean Water Rule was the first step in a two-step rulemaking process to define the scope of "waters of the United States" that are regulated under the Clean Water Act. The second step is finalizing the regulation proposed in December 2018 that would define where federal jurisdiction begins and ends in accordance with the Clean Water Act and Supreme Court precedent.

Water Quality Regulations for Nutrient Discharges. New nutrient regulatory initiatives could have a material effect on either us or our customers. For example, the Gulf Coast Ecosystem Restoration Task Force, established by executive order of the President and comprised of five Gulf States and eleven federal agencies, has delivered a final strategy for long-term ecosystem restoration for the Gulf Coast. The strategy calls for, among other matters, reduction of the flow of excess nutrients into the Gulf of Mexico through state nutrient reduction frameworks, new nutrient reduction approaches and reduction of agricultural and urban sources of excess nutrients. Implementation of the strategy will require legislative or regulatory action at the state level. We cannot predict what the requirements of any such legislative or regulatory action could be or whether or how it would affect us or our customers.

Reclamation Obligations. During phosphate mining, we remove overburden in order to retrieve phosphate rock reserves. Once we have finished mining in an area, we use the overburden and sand tailings produced by the beneficiation process to reclaim the area in accordance with approved reclamation plans and applicable laws. We have incurred and will continue to incur significant costs to fulfill our reclamation obligations.

Management of Residual Materials and Closure of Management Areas. Mining and processing of potash and phosphate generate residual materials that must be managed both during the operation of the facility and upon and after facility closure. Potash tailings, consisting primarily of salt and clay, are stored in surface disposal sites. Phosphate clay residuals from mining are deposited in clay settling ponds. Processing of phosphate rock with sulfuric acid generates phosphogypsum that is stored in Gypstacks.

During the life of the tailings management areas, clay settling ponds and Gypstacks, we have incurred and will continue to incur significant costs to manage our potash and phosphate residual materials in accordance with environmental laws and regulations and with permit requirements. Additional legal and permit requirements will take effect when these facilities are closed. Our asset retirement obligations are further discussed in Note 15 of our Notes to Consolidated Financial Statements.

New Wales Water Loss Incident. In August 2016, a sinkhole developed under one of the two cells of the active Gypstack at our New Wales facility in Polk County, Florida, resulting in process water from the stack draining into the sinkhole. The incident was reported to the FDEP and EPA and in connection with the incident, our subsidiary, Mosaic Fertilizer, LLC ("***Mosaic Fertilizer***"), entered into a consent order (the "***Order***") with the FDEP in October 2016 under which Mosaic Fertilizer agreed to, among other things, implement an approved remediation plan to close the sinkhole; perform additional water monitoring and if necessary, assessment and rehabilitation activities in the event of identified off-site impacts; provide financial assurance; and evaluate the risk of potential future sinkhole formation at our active Florida Gypstack operations. The incident and the Order are further discussed in Note 24 of our Notes to Consolidated Financial Statements.

Financial Assurance. Separate from our accounting treatment for reclamation and closure liabilities, some jurisdictions in which we operate have required us either to pass a test of financial strength or provide credit support, typically cash deposits, surety bonds, financial guarantees or letters of credit, to address phosphate mining reclamation liabilities and closure liabilities for clay settling areas and Gypstacks. See "Other Commercial Commitments" under "Off-Balance Sheet

As of December 31, 2019, we had $39.5 million of gross uncertain tax positions. If recognized, the benefit to our effective tax rate in future periods would be approximately $23.3 million of that amount. During 2019, we recorded gross increases in our uncertain tax positions of $1.4 million related to certain U.S. and non-U.S. tax matters, of which $2.8 million impacted the effective tax rate. This increase was offset by items not included in gross uncertain tax positions.

Based upon the information available as of December 31, 2019, it is reasonably possible that the amount of unrecognized tax benefits will change in the next twelve months; however, the change cannot reasonably be estimated.

A summary of gross unrecognized tax benefit activity is as follows:

	Years Ended December 31,		
(in millions)	2019	2018	2017
Gross unrecognized tax benefits, beginning of period	$ 38.1	$ 39.3	$ 27.1
Gross increases:			
Prior period tax positions	—	0.3	1.9
Current period tax positions	5.1	3.8	8.5
Gross decreases:			
Prior period tax positions	(4.9)	(2.9)	—
Currency translation	1.2	(2.4)	1.8
Gross unrecognized tax benefits, end of period	$ 39.5	$ 38.1	$ 39.3

We recognize interest and penalties related to unrecognized tax benefits as a component of our income tax expense. Interest and penalties accrued in our Consolidated Balance Sheets as of December 31, 2019 and 2018 were $7.4 million and $4.9 million, respectively, and are included in other noncurrent liabilities in the Consolidated Balance Sheets.

Open Tax Periods

We operate in multiple tax jurisdictions, both within the United States and outside the United States, and face audits from various tax authorities regarding transfer pricing, deductibility of certain expenses, and intercompany transactions, as well as other matters. With few exceptions, we are no longer subject to examination for tax years prior to 2012.

Mosaic is continually under audit by various tax authorities in the normal course of business. Such tax authorities may raise issues contrary to positions taken by the Company. If such positions are ultimately not sustained by the Company this could result in material assessments to the Company. The costs related to defending, if needed, such positions on appeal or in court may be material. The Company believes that any issues considered are properly accounted for.

We are currently under audit by the Canada Revenue Agency for the tax years ended May 31, 2012 through December 31, 2017. Based on the information available, we do not anticipate significant changes to our unrecognized tax benefits as a result of these examinations other than the amounts discussed above.

15. ASSET RETIREMENT OBLIGATIONS

We recognize our estimated asset retirement obligations ("***AROs***") in the period in which we have an existing legal obligation associated with the retirement of a tangible long-lived asset and the amount of the liability can be reasonably estimated. The ARO is recognized at fair value when the liability is incurred with a corresponding increase in the carrying amount of the related long lived asset. We depreciate the tangible asset over its estimated useful life. The liability is adjusted in subsequent periods through accretion expense which represents the increase in the present value of the liability due to the passage of time. Such depreciation and accretion expenses are included in cost of goods sold for operating facilities and other operating expense for indefinitely closed facilities.

Our legal obligations related to asset retirement require us to: (i) reclaim lands disturbed by mining as a condition to receive permits to mine phosphate ore reserves; (ii) treat low pH process water in Gypstacks to neutralize acidity; (iii) close and monitor Gypstacks at our Florida and Louisiana facilities at the end of their useful lives; (iv) remediate certain other conditional obligations; (v) remove all surface structures and equipment, plug and abandon mine shafts, contour and revegetate, as necessary, and monitor for five years after closing our Carlsbad, New Mexico facility; (vi) decommission facilities, manage tailings and execute site reclamation at our Saskatchewan potash mines at the end of their useful lives; (vii) de-commission mines in Brazil and Peru acquired as part of the Acquisition and (viii) de-commission plant sites and close Gypstacks in Brazil, also as part of the Acquisition. The estimated liability for these legal obligations is based on the estimated cost to satisfy the above obligations which is discounted using a credit-adjusted risk-free rate.

A reconciliation of our AROs is as follows:

(in millions)	Years Ended December 31, 2019	2018
AROs, beginning of period	$ 1,160.1	$ 859.3
Liabilities acquired in the Acquisition	—	258.9
Liabilities incurred	15.8	27.8
Liabilities settled	(112.8)	(69.6)
Accretion expense	62.4	48.0
Revisions in estimated cash flows	191.0	78.2
Foreign currency translation	(1.3)	(42.5)
AROs, end of period	1,315.2	1,160.1
Less current portion	154.4	136.3
	$ 1,160.8	$ 1,023.8

North America Gypstack Closure Costs

A majority of our ARO relates to Gypstack Closure Costs in Florida and Louisiana. For financial reporting purposes, we recognize our estimated Gypstack Closure Costs at their present value. This present value determined for financial reporting purposes is reflected on our Consolidated Balance Sheets in accrued liabilities and other noncurrent liabilities. As of December 31, 2019 and 2018, the present value of our Gypstack Closure Costs ARO reflected in our Consolidated Balance Sheet was approximately $660.2 million and $578.4 million, respectively.

As discussed below, we have arrangements to provide financial assurance for the estimated Gypstack Closure Costs associated with our facilities in Florida and Louisiana.

EPA RCRA Initiative. On September 30, 2015, we and our subsidiary, Mosaic Fertilizer, LLC ("***Mosaic Fertilizer***"), reached agreements with the U.S. Environmental Protection Agency ("***EPA***"), the U.S. Department of Justice ("***DOJ***"), the Florida Department of Environmental Protection ("***FDEP***") and the Louisiana Department of Environmental Quality ("***LDEQ***") on the terms of two consent decrees (collectively, the "***2015 Consent Decrees***") to resolve claims relating to our management of certain waste materials onsite at our Riverview, New Wales, Mulberry, Green Bay, South Pierce and Bartow fertilizer manufacturing facilities in Florida and our Faustina and Uncle Sam facilities in Louisiana. This followed a 2003 announcement by the EPA Office of Enforcement and Compliance Assurance that it would be targeting facilities in mineral processing industries, including phosphoric acid producers, for a thorough review under the U.S. Resource Conservation and Recovery Act ("***RCRA***") and related state laws. As discussed below, a separate consent decree was previously entered into with EPA and the FDEP with respect to RCRA compliance at the Plant City, Florida phosphate concentrates facility (the "***Plant City Facility***") that we acquired as part of our acquisition (the "***CF Phosphate Assets Acquisition***") of the Florida phosphate assets and assumption of certain related liabilities of CF Industries, Inc. ("***CF***").

The remaining monetary obligations under the 2015 Consent Decrees include:

- Modification of certain operating practices and undertaking certain capital improvement projects over a period of several years that are expected to result in capital expenditures likely to exceed $200 million in the aggregate.
- Provision of additional financial assurance for the estimated Gypstack Closure Costs for Gypstacks at the covered facilities. The RCRA Trusts are discussed in Note 13 to our Consolidated Financial Statements. In addition, we have agreed to guarantee the difference between the amounts held in each RCRA Trust (including any earnings) and the estimated closure and long-term care costs.

As of December 31, 2019, the undiscounted amount of our Gypstack Closure Costs ARO associated with the facilities covered by the 2015 Consent Decrees, determined using the assumptions used for financial reporting purposes, was approximately $1.6 billion, and the present value of our Gypstack Closure Costs ARO reflected in our Consolidated Balance Sheet for those facilities was approximately $429.3 million.

Plant City and Bonnie Facilities. As part of the CF Phosphate Assets Acquisition, we assumed certain AROs related to Gypstack Closure Costs at both the Plant City Facility and a closed Florida phosphate concentrates facility in Bartow, Florida (the "***Bonnie Facility***") that we acquired. Associated with these assets are two related financial assurance arrangements for which we became responsible and that provide sources of funds for the estimated Gypstack Closure Costs for these facilities, pursuant to federal or state law: the government entities can draw against such amounts in the event we cannot perform such closure activities. One was initially a trust (the "***Plant City Trust***") established to meet the requirements under a consent decree with the EPA and the FDEP with respect to RCRA compliance at Plant City that also satisfied Florida financial assurance requirements at that site. Beginning in September 2016, as a substitute for the financial assurance provided through the Plant City Trust, we have provided financial assurance for Plant City in the form of a surety bond (the "***Plant City Bond***"). The amount of the Plant City Bond is $244.9 million, at December 31, 2019, which reflects our closure cost estimates at that date. The other was also a trust fund (the "***Bonnie Facility Trust***") established to meet the requirements under Florida financial assurance regulations that apply to the Bonnie Facility. On July 27, 2018, we received $21.0 million from the Bonnie Facility Trust by substituting the trust fund for a financial test mechanism ("***Bonnie Financial Test***") supported by a corporate guarantee as allowed by state regulations. Both financial assurance funding obligations require estimates of future expenditures that could be impacted by refinements in scope, technological developments, new information, cost inflation, changes in regulations, discount rates and the timing of activities. Under our current approach to satisfying applicable requirements, additional financial assurance would be required in the future if increases in cost estimates exceed the face amount of the Plant City Bond or the amount supported by the Bonnie Financial Test.

As of December 31, 2019 and 2018, the aggregate amounts of AROs associated with the Plant City Facility and Bonnie Facility Gypstack Closure Costs included in our consolidated balance sheet were $211.2 million and $109.2 million, respectively. The aggregate amount represented by the Plant City Bond exceeds the aggregate amount of ARO associated with that Facility. This is because the amount of financial assurance we are required to provide represents the aggregate undiscounted estimated amount to be paid by us in the normal course of our Phosphates business over a period that may not end until three decades or more after the Gypstack has been closed, whereas the ARO included in our Consolidated Balance Sheet reflects the discounted present value of those estimated amounts.

16. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We periodically enter into derivatives to mitigate our exposure to foreign currency risks, interest rate movements and the effects of changing commodity prices. We record all derivatives on the Consolidated Balance Sheets at fair value. The fair value of these instruments is determined by using quoted market prices, third party comparables, or internal estimates. We net our derivative asset and liability positions when we have a master netting arrangement in place. Changes in the fair value of the foreign currency, commodity and freight derivatives are immediately recognized in earnings. As of December 31, 2019 and 2018, the gross asset position of our derivative instruments was $29.9 million and $13.4 million, respectively, and the gross liability position of our liability instruments was $29.1 million and $89.4 million, respectively.

We do not apply hedge accounting treatments to our foreign currency exchange contracts, commodities contracts, or freight contracts. Unrealized gains and (losses) on foreign currency exchange contracts used to hedge cash flows related to the production of our products are included in cost of goods sold in the Consolidated Statements of Earnings. Unrealized gains and (losses) on commodities contracts and certain forward freight agreements are also recorded in cost of goods sold in the Consolidated Statements of Earnings. Unrealized gains or (losses) on foreign currency exchange contracts used to hedge cash flows that are not related to the production of our products are included in the foreign currency transaction gain/(loss) caption in the Consolidated Statements of Earnings.

We apply fair value hedge accounting treatment to our fixed-to-floating interest rate contracts. Under these arrangements, we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. The mark-to-market of these fair value hedges is recorded as gains or losses in interest expense. These fair value hedges are considered to be highly effective and, thus, as of December 31, 2019, the impact on earnings due to hedge ineffectiveness was immaterial. Consistent with Mosaic's intent to have floating rate debt as a portion of its outstanding debt, we had nine fixed-to-floating interest rate swap agreements with a total notional amount of $585.0 million as of the years ended December 31, 2019 and 2018, related to our Senior Notes due 2023.

Exhibit II-40

COMMODITIES NEWS
NOVEMBER 29, 2016 / 9:17 AM / 3 YEARS AGO

Moroccan phosphate producer OCP to raise $500 mln in domestic bond issue

RABAT, Nov 29 (Reuters) - Morocco's Cherifien des Phosphates (OCP), one of the world's biggest phosphate producers, plans to issue 5 billion dirhams ($495 million) of domestic perpetual bonds, the stock exchange regulator said on Tuesday.

State run OCP, a major earner of foreign currency for Morocco, has been increasing output to help offset a slide in prices and aims to produce 47 million tonnes of crude phosphate rock annually in coming years, up from about 30.3 million in 2015, according to the bond prospectus, published on the stock market regulator's (AMMC) website.

It also plans to ramp up fertiliser production to 12 million tonnes in 2017 from 5.3 million in 2015.

The details and timing of the subordinated bond issue have yet to be decided, the regulator said.

It is OCP's first domestic bond issue since 2011, as the group wants to diversify its funding sources. Last year it raised $1 billion in an international bond issue.

The prospectus said AMMC had approved the bond issue on Monday. The bonds will be issued in one or several tranches and some would be listed on the Casablanca stock exchange.

OCP, which reported a 23 percent drop in first-half profit in September due to low prices, plans to invest around $20 billion over 2008-25 and signed a deal with Ethiopia this month to build a $3.7 billion plant to produce fertilisers. ($1 = 10.0890 Moroccan dirham) (Reporting By Aziz El Yaakoubi; Editing by Susan Fenton)

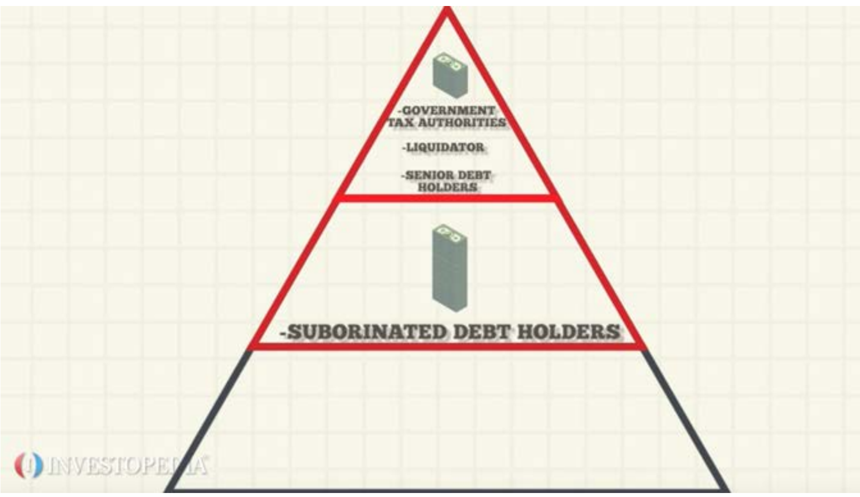
Exhibit II-41

Subordinated Debt Definition

By JAMES CHEN | Updated Apr 30, 2020

What Is Subordinated Debt?

Subordinated debt (also known as a subordinated debenture) is an unsecured loan or bond that ranks below other, more senior loans or securities with respect to claims on assets or earnings. Subordinated debentures are thus also known as junior securities. In the case of borrower default, creditors who own subordinated debt will not be paid out until after senior bondholders are paid in full.



Subordinated Debt

KEY TAKEAWAYS

- Subordinated debt is debt that is repaid after senior debtors are repaid in full.
- It is riskier as compared to unsubordinated debt and is listed as a long-term liability after unsubordinated debt on the balance sheet.

Understanding Subordinated Debt

Subordinated debt is riskier than unsubordinated debt. Subordinated debt is any type of loan that's paid after all other corporate debts and loans are repaid, in the case of borrower default. Borrowers of subordinated debt are usually larger corporations or other business

Subordinated Debt: Repayment Mechanics

When a corporation takes out debt, it normally issues two or more bond types that are either unsubordinated debt or subordinated debt. If the company defaults and files for bankruptcy, a bankruptcy court will prioritize loan repayments and require that a company repay its outstanding loans with its assets. The debt that is considered lesser in priority is the subordinated debt. The higher priority debt is considered unsubordinated debt.

The bankrupt company's liquidated assets will first be used to pay the unsubordinated debt. Any cash in excess of the unsubordinated debt will then be allocated to the subordinated debt. Holders of subordinated debt will be fully repaid if there is enough cash on hand for repayment. It's also possible that subordinated debt holders will receive either a partial payment or no payment at all.

Since subordinated debt is risky, it's important for potential lenders to be mindful of a company's solvency, other debt obligations, and total assets when reviewing an issued bond. Although subordinated debt is riskier for lenders, it's still paid out prior to any equity holders. Bondholders of subordinated debt are also able to realize a higher rate of interest to compensate for the potential risk of default.

While subordinated debt is issued by a variety of organizations, its use in the banking industry has received special attention. Such debt is attractive for banks because interest payments are tax-deductible. A 1999 study by the Federal Reserve recommended that banks issue subordinated debt to self-discipline their risk levels. The study's authors argued that issuance of debt by banks would require profiling of risk levels which, in turn, would provide a window into a bank's finances and operations during a time of significant change after a repeal of the Glass Steagall act. In some instances, subordinated debt is being used by mutual savings banks to buffer up their balance to meet regulatory requirements for Tier 2 capital.

Subordinated Debt: Reporting for Corporations

Subordinated debt, like all other debt obligations, is considered a liability on a company's balance sheet. Current liabilities are listed first on the balance sheet. Senior debt, or unsubordinated debt, is then listed as a long-term liability. Finally, subordinated debt is listed on the balance sheet as a long-term liability in order of payment priority, beneath any unsubordinated debt. When a company issues subordinated debt and receive cash from a lender, its cash account, or its property, plant, and

Subordinated Debt vs. Senior Debt: An Overview

The difference between subordinated debt and senior debt is the priority in which the debt claims are paid by a firm in bankruptcy or liquidation. If a company has both subordinated debt and senior debt and has to file for bankruptcy or face liquidation, the senior debt is paid back before the subordinated debt. Once the senior debt is completely paid back, the company then repays the subordinated debt.

Senior debt has the highest priority and therefore the lowest risk. Thus, this type of debt typically carries or offers lower interest rates. Meanwhile, subordinated debt carries higher interest rates given its lower priority during payback.

Senior debt is generally funded by banks. The banks take the lower risk senior status in the repayment order because they can generally afford to accept a lower rate given their low-cost source of funding from deposit and savings accounts. In addition, regulators advocate for banks to maintain a lower risk loan portfolio.

Subordinated debt is any debt that falls under, or behind, senior debt. However, subordinated debt does have priority over preferred and common equity. Examples of subordinated debt include mezzanine debt, which is debt that also includes an investment. Additionally, asset-backed securities generally have a subordinated feature, where some tranches are considered subordinate to senior tranches. Asset-backed securities are financial securities collateralized by a pool of assets including loans, leases, credit card debt, royalties, or receivables. Tranches are portions of debt or securities that have been designed to divide risk or group characteristics so that they can be marketable to different investors.

Related Terms

Unsubordinated Debt Definition
Unsubordinated debt is a loan or security that ranks above other loans or securities with regard to claims on assets or earnings. more

Senior Debt Definition
Senior debt is borrowed money that a company must repay first if it goes out of business. more

The Truth About Mezzanine Financing
Mezzanine financing combines debt and equity financing, starting out as debt and allowing the lender to convert to equity if the loan is not paid on time or in full. more

Calculating Tangible Net Worth

Exhibit II-42

الهيئة المغربية لسوق الرساميل

ⵜⴰⵏⵙⴰⴹⵜ ⵜⴰⵎⵖⵔⵉⴱⵉⵜ ⵏ ⵓⵙⴰⵡⴰⵣ ⵏ ⵢⵉⴷⵙⴰⵔⵏ

AUTORITÉ MAROCAINE DU MARCHÉ DES CAPITAUX

1.2.2 Bond issues

During 2016 fiscal year, the AMMC granted visa to 12 bond issues. Two of which were granted only preliminary visas, and another was granted a preliminary and a final visa. The bond issues granted visas in 2016 are set out in the following table:

Authorized bond issues in 2016

Issuer	Date of visa	Description	Amount (in MAD)
Attijariwafa bank	08/06/2016	Issue of a subordinated bond issue divided into 6 tranches of maturities between 7 and 10 years (listed and unlisted tranches, of fixed and variable rates)	1 000 000 000
BMCE Bank Of Africa	09/06/2016	Issue of a subordinated bond with a 10 year maturity, divided into 4 tranches (listed and unlisted, with fixed and variable rates)	2 000 000 000
Crédit Agricole du Maroc	16/09/2016	Issue of a subordinated bond divided into 8 tranches of maturities between 7 and 10 years (listed and unlisted tranches, fixed and variable rates)	600 000 000
Fonds d'Equipement Communal	27/09/2016	Issue of ordinary bonds for 1 billion MAD structured into 4 tranches of 10 and 15 year maturities	1 000 000 000
BMCE Bank Of Africa	04/11/2016	Issue of Green Bonds type structured into 2 unlisted tranches with a maturity of 5 years (fixed and variable rates)	500 000 000
Crédit Agricole du Maroc	15/11/2016	Preliminary Visa for a green bonds issue up to a maximum amount of 500 million MAD	NA
Banque Centrale Populaire (BCP)	15/11/2016	Preliminary Visa for a green bonds issue up to a maximum amount of 2 billion MAD or an equivalent amount in foreign currency, maturing between 7 and 10 years	NA
CIH Bank	28/11/2016	Issue of a subordinated bond divided into 4 unlisted tranches of maturities between 7 and 10 years (tranches with fixed and variable rates)	1 000 000 000
OCP	28/11/2016	Preliminary Visa for the issue of perpetual subordinated bonds up to a maximum amount of 5 billion MAD	NA
Crédit du Maroc	30/11/2016	Issue of a 10 year subordinated bond maturity divided into 4 tranches (listed and unlisted tranches, with fixed and variable rates)	500 000 000
Attijariwafa bank	07/12/2016	Issue of a subordinated bond divided into 8 tranches of maturities between 7 and 10 years (listed and unlisted tranches, fixed and variable rates)	1 500 000 000
Attijariwafa bank	07/12/2016	Issue of a perpetual subordinated bond loan with mechanisms for absorbing losses and canceling coupon payments, divided into 2 tranches at variable rates	500 000 000
OCP	09/12/2016	Definitive visa for the issue of perpetual subordinated bonds. The final structuring involves bonds with early redemption options and deferred interest payments, divided into 6 tranches at variable rates	5 000 000 000

Source: AMMC | Ref.: Table N°17

Furthermore, the AMMC authorized 4 bond issues by private investment, including the issue by MASEN of Green Bonds of 1,15 billion MAD.

The volume of bond issues achieved by public offering increased significantly (+22.6%) in 2016. This year was marked, in particular, by the issue of new types of bonds, as the first transaction of its type on the Moroccan market, namely:

◎ The green bonds issued by MASEN (1,15 billion MAD per private investment) and by BMCE (500 million MAD per public offering), plus the preliminary visas issues of Crédit Agricole du Maroc and the Banque Centrale Populaire;

◎ Attijariwafa Bank issued perpetual subordinated bonds with mechanisms of losses absorbing and of coupons payment canceling (through a public offering for a total amount of 500 million MAD);

◎ OCP SA issued perpetual subordinated bonds with early redemption options and deferred interest payments (through a public offering of 5 billion MAD).

Green bonds: publication of a guide and first issuances in morocco

As part of its commitment to contribute to the development of climate finance, and in accordance with the Kingdom's renewable energy objectives and the creation of a regional financial hub, the Moroccan Capital Market Authority published on the eve of COP22 in October 2016, a guide of "Green Bonds" for issuers and market participants.

The guide was drafted with the support of International Finance Corporation (IFC), a member of the World Bank Group. The guide presents the key elements of the "Green Bonds" and their main implications. It is submitted to issuers as well as to investors. It aims to promote the development of this new segment in the Moroccan capital market.

This guide provides a clear framework, inspired by international standards, to issuers and professionals who want to invest in this market. It also accompanies the realization of the first issues of green bonds in Morocco.

Created in 2007, Green Bonds were expanding at an incredible development and reached a volume of 41 billion USD in 2015. They become an essential tool of funding mobilization to promote the fight against climate change.

Following the publication of the guide, the enthusiasm for this new type of bond issues was also confirmed in Morocco. The AMMC authorized its visa to four transactions. The authorization covers two final visas and two preliminary ones for a total amount of 4,15 billion MAD.

Green bonds issues authorized or granted visa by the AMMC in 2016

◎ **MASEN**	Issue by private investment for 1,15 billion MAD
◎ **BMCE Bank Of Africa**	Issue by public offering of 500 million MAD
◎ **Crédit Agricole du Maroc**	Preliminary Visa for an issue of up to 500 million MAD
◎ **Banque Centrale Populaire (BCP)**	Preliminary Visa for an issue of up to 2 billion MAD or its equivalent in foreign currency

Ref.: Box N°3

Exhibit II-43

Morocco’s OCP Raises $1.55 Billion in Debut Sale of Bonds Abroad

Bloomberg News Enterprise
Published: Apr 16 2014 19:00:02

By Souhail Karam

April 17 (Bloomberg) -- OCP Group, which controls the world's largest phosphate reserves, raised $1.55 billion in its debut international bond sale to help finance a $17 billion investment plan.

State-controlled OCP, based in Casablanca, sold $1.25 billion of 10-year bonds yesterday to yield 5.75 percent, or about 3.1 percentage points more than similar-maturity U.S. Treasuries, according to data compiled by Bloomberg. OCP also issued $300 million of 30-year debt to yield 7.375 percent, or 3.9 percentage points more than Treasuries.

OCP, the world's biggest phosphate exporter, said in October it would invest 140 billion dirhams ($17 billion) to increase its market share of fertilizers to 40 percent by 2020. Its market share currently stands at 21 percent, OCP Chairman Mostafa Terrab told Le Matin newspaper last week.

A "favorable market risk environment was probably the main supportive factor, but the positive story of the company and Morocco's improving external perception did help," Samir Gadio, an emerging markets strategist at Standard Bank Plc in London, said by e-mail yesterday.

OCP is rated BBB- by Standard & Poor's, the lowest level of investment grade, and an equivalent rank by Fitch Ratings, the same as Morocco's government rating.

Proceeds will be used for capital expenditures and general corporate purposes, Ghita Laraki, a Casablanca-based spokeswoman for OCP, said in an e-mail. Barclays Plc, JPMorgan Chase & Co., and Morgan Stanley arranged the sale.

Meryem Chami, OCP's executive director of planning and steering, said in October that the company should capture half of expected growth in global demand for phosphate-based fertilizers by tripling production capacity and focusing on Africa and South America.

Last month, OCP signed an agreement to build four plants in Morocco and Gabon at a total cost of $2 billion to produce fertilizers for African markets intended to meet 30 percent of the continent's needs.

--With assistance from Gabrielle Coppola in New York.

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Exhibit II-44

CDG CAPITAL

CDG CAPITAL
GROUPE CDG

Morocco
Africa & Middle East

http://www.cdgcapital.ma/

Industry: Banking
Date joined: 19 December, 2018

Company Profile

CDG Capital is a major national financial institution from the Kingdom of Morocco, 100% owned by Groupe Caisse de Dépôt et de Gestion (CDG), the leading institutional investor in the country. Its mission is to be a responsible corporate and investment bank serving the Moroccan economy and playing a major role in maturing the financial markets. Since its creation in 2006, CDG Capital has been structuring financial transactions and providing financing in equity, loans and guarantees, for public and private project developers in different sectors such as power generation and distribution, port infrastructure, water supply infrastructure, real estate, rail, highways, telecommunications, services and industry.

INDUSTRIES

Banking

Insurance

Investment

REGIONS

Africa & Middle East

Asia Pacific

Europe

Latin America & Caribbean

North America

All Members

Sustainable Agenda

Convinced that sustainable development is a source of innovation and performance, CDG Capital set up a management unit in 2017 to fully carry out its roadmap. Indeed, CDG Capital took part in the framework of the COP22 scientific committee, in the elaboration of the roadmap for the alignment of the Moroccan financial sector with the issues of sustainable development. In addition, CDG Capital obtained in June 2017 the accreditation of the Green Climate Fund (GCF) enabling it to mobilize international resources for the implementation of climate finance.

According to its sustainability strategy, its constantly dedicated to financing climate projects in Morocco, leveraging the opportunities offered by the GCF; disseminating sustainable development tools in the banking business, including the introduction of environmental and social procedures / gender approach in the life cycle of a project and the reinforcement of employees' capacities on this theme. The bank works on integrating CSR in its governance and taking into account the societal and environmental concerns of its stakeholders. It supports improving the bank's national and international visibility on sustainable development, through active participation in coalitions, composed of leading financial actors committed to climate change (IDFC / Mainstreaming).

Morocco has a set of sectoral plans to ensure strong economic growth and wealth creation. At the same time, it put together an ambitious National Strategy for Sustainable Development. As the financial arm of CDG group, the 1st institutional investor in the country, CDG Capital is committed to supporting the achievement of these programmes/strategies through financing public and private partners to support, on all key stages and throughout the investment cycle, large-scale, innovative and structuring projects for the national economy. By joining UNEP-FI, CDG Capital is willing to ensure it has the tools and processes to align its business strategy with society's goals (SDGs). CDG Capital is willing to share its experience and benefit from best practices. It will also contribute to the implementation/testing of new business models.

[Sustainability Report 2017]

Exhibit II-45

Caisse de Dépôt et de Gestion (CDG)

A public financial institution, with total assets under management of 18.2 billion euros and total equity capital of 1 billion euros. Its mission is to mobilize institutional savings towards long-term investments and for over 50 years it has been investing in national projects of high priority. Its three business lines are the management of regulated savings and public retirement schemes, banking, finance and insurance, and territorial development. It intends to strengthen its role as the key institutional partner of foreign investors in Morocco.

Visit the Caisse de Dépôt et de Gestion (CDG) website

Exhibit II-46

Court of Auditors Slams CDG, Depository of Moroccan Social Security

The court identified serious irregularities in CDG's institutional governance policy, strategic management, and investment policy.

CDG

By **Tarek Bazza** -
Tarek Bazza is a journalist at Morocco World News with Master's degree in Translation from King Fahd School of Translation in Tangier.
Jan 9, 2019

Rabat – Morocco's Court of Auditors issued a report on Monday heavily criticizing the state-owned financial institution Deposit and Management Fund (CDG), known by its French name Caisse de Depot et de Gestion.

CDG is the legal depository of the National Social Security Fund (CNSS) and the national savings bank (CEN). It also manages the National Pension and Insurance Fund (CNRA) and the Collective Retirement Benefit Scheme (RCAR).

CDG is a major institutional investor in Morocco and was established as a public entity by decree in 1959. It is mainly responsible for managing savings funds which require special protection.

In its latest report, the Court of Auditors uncovered many irregularities in CDG's institutional governance policy, strategic management, and investment policy.

> Read Also: Court of Auditors: Serious Irregularities in Morocco's Hospital Centers

Lacking institutional framework and strategic planning

The decree that founded CDG granted its general manager extensive management powers. The general manager can decide on operations related to investment, recruitment and appointments, as well as the creation and removal of structures.

According to the court, “This concentration of power extended into the hands of one person is not in line with universally accepted rules of good governance.”

“It does not promote the establishment of risk control which is essential to securing resources entrusted to the institution.”

The court emphasized that CDG Group’s strategic vision has changed over the years from a “collector of savings and investor in Treasury bills to an active investor in riskier activities.”

While reviewing CDG’s strategic planning and steering system of its subsidiaries and holdings, the court found that the institution has no assessment for objective achievements and has a general lack of monitoring mechanisms and management control.

> Read Also: Court of Auditors: Gross Mismanagement in Morocco’s Education Emergency Plan

Non authorized subsidiaries and investment concentration

One of the CDG’s major irregularities is that CDG made equity investments in some of its own subsidiaries and holdings and created some non-systematically authorized subsidiaries.

The court found that the institution did not obtain prior obligatory permission from the head of government to do so, as required by Law 39.89 on the transfer of public companies into the private sector.

The court cited CG Parking, Immolog, Med Resort, and Arribat Center as examples of CDG subsidiaries either created without authorization or in which CDG made equity investments. In the case of Arribat Center in Rabat, the company promised to become a “multifunctional complex in the heart of the Agdal neighborhood,” but construction has stalled.

Between 2006 and 2007, CDG made some equity investments in foreign companies including France’s Club Mediterranee and Vivendi, and Germany’s TUI AG for a total of MAD 6.5 billion.

The CDG’s decision to acquire stakes in the international market, according the court, lacks a strategic vision which does not take into account the institution’s constraints, particularly the securing of its funds.

> Read Also: Latifa Echihabi Appointed Secretary-General of Morocco’s CDG

The security of CDG’s funds did not previously define an appropriate investment model due to the lack of “in-depth studies that take into account the overall allocation of its assets and prudent investment rules,” explained the report.

The court report showed that CDG concentrates its investments in a limited number of subsidiaries and holdings.

At the end of 2017, nine subsidiaries and holdings dominated CDG's portfolio out of 70 subsidiaries and holdings. The nine subsidiaries received 76 percent (approximately MAD 31.4 million) of the portfolio's book value of MAD 42.2 million, according to the court's report.

According to the court's statistics, the number of CDG's subsidiaries and holdings increased from 80 in 2007 to 143 in 2017. They operate in various business sectors from retail banking and finance to real estate, tourism, and insurance.

The report added that between 2006 and 2017 the institution allocated 90 percent of its additional investments, amounting to MAD 26.8 billion, to eight subsidiaries and holdings whose outstanding balance increased from MAD 6 billion to MAD 32.7 billion.

In 2017, CDG's "subsidiaries and holdings made up 79% of the total equity portfolio, compared to 52% at the end of 2007," the report noted.

> Read Also: Court of Auditors: Morocco's Schools Not Achieving Basic Standards

The court's recommendations

At the end of its report, the Court of Auditors recommended that authorities should "recast the legal and institutional framework governing CDG to comply with corporate governance best practices."

The court also called on CDG to "improve its internal control system and set up a risk management system at the group level."

CDG Group should bring "unauthorized" subsidiaries and holdings into compliance with the law, the court stressed.

The court added that the Ministry of the Economy and Finance, in its capacity as the supervising authority of CDG, should ensure that CDG "respects the commitments and objectives" set for the authorizing of equity investments and creation of some subsidiaries and holdings.

CDG should "formalize rules governing the management of the portfolio of direct holdings regarding investment concentration," the court emphasized.

Exhibit II-47

RAPPORT D'ACTIVITÉ ET DE RESPONSABILITÉ SOCIALE **2018**

Notre soutien aux initiatives nationales de développement

Le Maroc s'est doté d'un certain nombre de plans sectoriels, à même de porter la croissance économique et de créer des richesses. Dans le même temps, il a adopté une Stratégie Nationale de Développement Durable ambitieuse, visant à répondre aux impératifs écologiques et sociaux. Aussi, nous nous attelons à apporter notre concours à la réalisation de ces stratégies à travers des financements pensés en relais au marché de capitaux. En effet, nous œuvrons, au côté de partenaires publics et privés, à l'accompagnement, sur toutes les étapes clés et sur l'ensemble du cycle d'investissement, de projets d'envergure, innovants et structurants pour l'économie nationale.

La parole à Aida Attaf,
Senior Banker

Dans la continuité de l'engagement de la Caisse de Dépôt et de Gestion en faveur de la dynamique de progrès du Maroc, CDG Capital a inscrit parmi ses priorités l'accompagnement des acteurs majeurs de l'économie nationale dans le cadre de l'accélération de la mise en œuvre de leurs projets structurants.

Cette ambition place le secteur public, porteur de projets d'infrastructures stratégiques engageant des programmes d'investissements importants, comme un partenaire stratégique de CDG Capital.
Ceci nous a amenés à développer l'ensemble des expertises clés et produits pour le financement durable de nos clients publics. CDG Capital intervient ainsi sur l'intégralité de la chaîne de valeur des marchés des capitaux : de la réflexion stratégique sur le financement des programmes d'investissement et gestion de l'endettement et risques associés à la levée de financements y compris financement verts à travers l'accréditation GCF, en passant par la structuration de solutions de financement innovantes personnalisées, jusqu'à l'optimisation de leurs placements.

Cet accompagnement global repose sur une démarche collaborative tenant compte des problématiques spécifiques de chaque client dans un contexte donné, mais aussi des exigences des investisseurs institutionnels, renforçant les capacités de placement de CDG Capital.
L'implication constante de CDG Capital au service de ses clients lui a permis de nouer des relations de confiance, sur le long terme, avec l'ensemble des acteurs de la sphère publique : entreprises et établissements publics, instances de gouvernance et autorités. Elle assure également à CDG Capital une connaissance profonde du secteur public et une maitrise unique de son environnement.
Par ailleurs, et dans la même logique, CDG Capital accompagne la dynamique de régionalisation avancée de deux façons complémentaires : dans le cadre d'une offre globale du Groupe CDG en faveur du déploiement des Programmes de Développement Régionaux d'une part (impliquant également d'autres filiales comme Novec et MedZ) et dans le cadre d'une offre propre de structuration des montages juridico financiers des projets et de recherche d'opérateurs en faveur des Agences Régionales d'Exécution des Projets (AREP) et des Sociétés de Développement Régional (SDR) d'autre part.

Morocco has adopted a number of sectoral plans, which are capable of driving economic growth and generating wealth. At the same time, it adopted ambitious National Strategy for Sustainable Development, to meet ecological and social imperatives. We are therefore working to assist in the implementation of these strategies through financing designed as a relay to the capital market. In fact, we work alongside public and private partners, to support, at all key stages and throughout the whole investment cycle, large-scale, innovative and structuring projects for the national economy.

In keeping with the “Caisse de Dépôt et de Gestion's” commitment to the dynamics of progress in Morocco, “CDG Capital” has made it one of its priorities to support major players of the national economy to accelerate the implementation of their developmental projects.

Exhibit II-48

A propos de nous

MOT DU DIRECTEUR GÉNÉRAL

Notre Banque de financement et d'investissement a su développer un sens aigu de la responsabilité et de l'éthique qui nous aide à travailler en totale confiance avec nos clients. C'est ainsi, que nous cherchons à identifier la cause racine des problématiques business de nos clients entreprises et institutionnels pour mieux construire, avec eux, des solutions adaptées. Nous les aidons à mieux appréhender la complexité pour réaliser pleinement leur potentiel. Nous promouvons l'économie via des solutions durables pour permettre à nos clients d'être à l'avant-garde et de sortir des sentiers battus. En somme, CDG Capital se positionne comme un facilitateur d'affaires, un éclaireur responsable, un pourvoyeur de solutions. Nous sommes des créateurs de valeur au service de nos clients pour les aider à construire un avenir meilleur.

Depuis sa création, CDG Capital a mis toute son énergie pour cultiver une démarche innovante et responsable pour mieux servir ses clients. Ce faisant, CDG Capital s'est trouvée naturellement précurseur sur le marché de capitaux en structurant des solutions de financement, de gestion de passif, de monétisation d'actifs, ou encore en offrant un accompagnement en rating advisory et en gestion des risques marchés. Notre approche n'a pas manqué de donner également ses fruits du côté de la gestion d'actifs et des services aux investisseurs. En effet, à la diversification des sous-jacents, s'est greffée une sophistication continue de l'offre d'investissements, une qualité de service sans cesse améliorée et un traitement sécurisé des transactions.

Chez CDG Capital, nous sommes fiers de développer un état d'esprit qui nous pousse à défier le statu-quo, à réfléchir différemment et à mettre nos énergies non seulement, au service de nos clients, mais aussi, en faveur des Autorités de Tutelle ou de Contrôle, des partenaires de la place, pour travailler sur des chantiers visant à développer le marché de capitaux dans ses différents compartiments.

En effet, nous sommes convaincus qu'une innovation durable relève d'un état d'esprit, de la culture d'un pays ou d'une entreprise et ne peut être réduite à une fonction R&D ou encore être limitée aux entreprises technologiques. Chez CDG Capital, nous sommes parfaitement conscients de cette nécessité d'intégrer l'innovation durable dans notre conduite du changement, dans notre fonctionnement propre et dans nos produits. Pour ce faire, nous visons à instaurer les conditions de l'expérimentation, du « penser différemment » et rechercher auprès de nos parties prenantes et de notre écosystème l'inspiration et la co-création dans une logique de complémentarité et de confrontation des idées. La durabilité irrigue notre stratégie jusqu'à nos offres. En effet, avec des offres innovantes qui feront le marché sans attendre que le marché ne les réclame, CDG Capital se positionne en pionnier de la finance durable sur le marché marocain.

NOTRE DÉMARCHE

De la mobilisation de l'épargne au financement de l'économie

Notre pays fait face à de multiples défis parmi lesquels se trouvent ceux liés au financement de son économie et à la gestion de son épargne longue. Chez CDG Capital, nous sommes convaincus que la réussite de l'un est conditionnée par la réussite de l'autre, et que leur bonne convolution est nécessaire au développement durable de notre pays.

Forts de cette conviction, nous considérons qu'accompagner les évolutions du marché de capitaux fait partie de l'essence même de notre mission.

En effet, dans un marché de capitaux encore en maturation, CDG Capital a développé un business model pertinent qui repose :

- sur la cohérence des expertises métiers et sur la complémentarité de leurs positionnements
- sur l'ensemble de la chaine financement – investissement,
- sur l'enjeu stratégique commun de développement de l'ensemble des composantes du marché de capitaux,
- et enfin, sur les périmètres respectifs et leurs rôles actifs et structurants.

L'ingénierie financière et l'innovation afférente est au cœur de l'additionnalité de CDG Capital et la pertinence de son impact trouve son fondement dans une démarche responsable et structurante.

CDG Capital, un acteur responsable

Etre une banque responsable, c'est d'abord l'être par ses activités financières. C'est par un exercice responsable de notre cœur de métier que nous impacterons significativement le développement durable de notre pays.

En effet, acteur du secteur financier, CDG Capital a une responsabilité particulière dans l'orientation de ses investissements et financements vers des projets, des entreprises ou des marchés qui permettent d'accompagner le développement d'une économie marocaine plus durable.

CDG Capital poursuit la prise en compte des exigences réglementaires et des nouvelles opportunités liées au développement durable en travaillant sur le principal levier d'action d'un établissement financier : les investissements et les financements. La responsabilité est le fondement de notre mission, tiers de confiance est la quiddité de notre raison d'être. Efficient et responsable vis-à-vis de nos clients, nous mettons à leur service des solutions pertinentes en ingénierie financière et une capacité de financement long terme adaptée contribuant à leur développement durable

Par ailleurs, comme l'épargne globale est un enjeu majeur pour la stabilité sociale, économique et financière du royaume, sa gestion doit être guidée, d'abord et avant tout, avec un grand sens des responsabilités décliné dans la gouvernance, les stratégies d'investissement, la gestion des risques et les meilleurs standards de transparence et de contrôle.

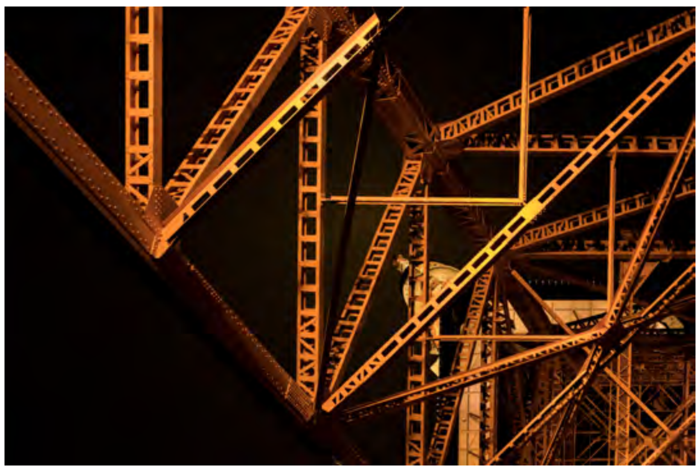
La confiance de nos parties prenantes est intimement liée à la façon dont nous régissons nos relations d'affaires et nos interactions avec : nos clients, nos fournisseurs, notre actionnaire, les autorités de régulation et les bailleurs de fonds.

En tant qu'organisme financier, nous sommes conscients que les sujets d'éthique, de gouvernance et de transparence sont primordiaux.

Nous savons tous que l'intégration des objectifs et contraintes spécifiques, liés à la nature de l'épargne dans la définition de la macro allocation et des stratégies d'investissement, est une première nécessité. Cependant, la conciliation de la dynamique du passif avec un impératif de rendement de l'actif nécessite une mise en œuvre efficiente, qui passe par une recherche permanente d'opportunités nouvelles d'investissements et plus largement de classes d'actifs diversifiantes et rentables (OPCI, infrastructures, dérivés, titrisation, instruments hybrides…).

Un acteur structurant

A l'image de l'évolution de l'économie nationale, la structure de financement



de l'économie se décentralise progressivement, se rapprochant des schémas désintermédiés de pays plus avancés.

Les marchés de capitaux jouent de ce fait un rôle premier, et ce à plusieurs niveaux. La raison d'être des marchés de capitaux est une macro-allocation optimale des ressources d'une économie donnée. Les projets ou entreprises les plus robustes auront naturellement accès à de meilleures conditions de financement. De part ces mécanismes, les marchés soutiendront les entreprises les plus efficientes, suscitant une émulation saine.

Les marchés de capitaux sont un pilier majeur du modèle de développement choisi par le Maroc. De la gestion de l'épargne au financement des projets ou au rayonnement régional et les relais de croissance qui en découlent, les enjeux sont majeurs et multiples.

CDG Capital a joué et jouera un rôle très important dans les différentes évolutions du marché de capitaux, en étant force de proposition, contribuant ainsi au développement de la structuration des marchés de capitaux en cours.
En effet, plusieurs actions ont été réalisées afin d'accompagner le corpus des réformes en cours de conception ou de déploiement, couvrant l'essentiel des maillons de la chaîne, allant du cadre législatif et réglementaire, en passant par l'infrastructure du Marché et bien sûr par l'élargissement de l'offre et de la demande de produits

NOS MISSIONS

CDG Capital s'est assignée pour mission d'être une banque de financement et d'investissement au service du développement durable de l'économie nationale et de son marché financier, à l'heure où cette économie est en phase d'intégration dans les plus grands marchés mondiaux. Les différents acteurs économiques ont en effet besoin de nouveaux modes de financement à même de soutenir leur croissance et accroître leur compétitivité.

Ainsi, CDG Capital est à même :

- d'offrir des expertises affirmées en ingénierie financière, de développer une capacité de financement, d'investissement et de distribution utile aux acteurs publics et privés;
- d'offrir des solutions d'investissement performantes et efficientes, adaptées aux attentes, contraintes et appétence au risque de ses clients :
  - Performantes en termes d'optimisation du couple risque / rendement
  - Efficientes en termes d'exécution et de services ;
- de canaliser et mobiliser l'épargne nationale et en assurer une gestion responsable et efficace à la hauteur des enjeux de l'épargne longue (et des retraites en particulier) ;
- de participer au développement du marché de capitaux et de son infrastructure en s'inscrivant comme un partenaire-acteur des autorités économiques et financières.

La désintermédiation des marchés financiers comme maillon clé du financement durable de l'économie

Afin d'accompagner le mouvement de croissance des opérateurs économiques, CDG Capital se place au cœur de la désintermédiation des marchés financiers, la convergence entre les besoins des investisseurs et ceux des émetteurs passant, aujourd'hui, inévitablement par un marché désintermédié. CDG Capital œuvre ainsi, activement, pour la maturation du marché de capitaux, en agissant sur plusieurs axes, principalement :

La consolidation et le développement des activités >

Le développement de l'infrastructure transactionnelle sous - jacente >

L'implication dans les initiatives structurantes du marché de capitaux >

ANIMÉE PAR DES VALEURS NOBLES

Our Missions

CDG Capital has set itself the mission to be a financing and investment bank serving the sustainable development of the national economy and its financial market, at a time when this economy is in a phase of integration in the largest world markets. The various economic players need new means of financing to support their growth and increase their competitiveness.

Therefore, CDG Capital is able to:

Offer assertive expertise in financial engineering, develop a financing, investment and distribution capacity useful to public and private players;

Offer efficient and effective investment solutions, adapted to the expectations, constraints and risk appetite of its customers:

*Efficient in terms of optimizing the risk/return ratio

*Effective in terms of delivery and service.

Channel and mobilize domestic savings, and ensure responsible and efficient management to meet challenges of long-term savings (and pensions in particular);

Take part in the development of the capital market and its infrastructure by acting as a key partner of the economic and financial authorities.

Exhibit II-49

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2016

Contents

Key figures and significant events of the period

Consolidated financial statements

Notes to consolidated financial statements

Statutory auditors’ opinion on the consolidated financial information

Key figures and significant events of the period

Key figures

(In millions of dirhams)	*Note*	*FY 2016*	*FY 2015*
Revenues	4.1.1.2	42,471	47,747
Profit (loss) from joint ventures	6.1	123	358
EBITDA		12,777	17,659
Operating profit (loss) before exceptional items		8,301	13,820
Cost of net financial debt	10.1.5	(402)	(363)
Net profit (loss) - Group share		3,779	8,011
Consolidated equity - Group share		70,335	63,776
Net financial debt		38,019	35,247
Net operating investments		13,261	14,264
Basic and diluted earnings per share (in dirhams)	12.4	45.96	97.52
Dividend per share (in dirhams)		30.17	15.09

Significant events of the period

Business

LAUNCH OF JORF FERTILIZER COMPANY II IN JULY 2016

In order to strengthen the presence of OCP Group in the production of phosphate fertilizers, Jorf Fertilizer Company II became operational in July 2016. This entity aims at producing DAP, MAP and TSP fertilizers. It has a production capacity of 1 million of tons of fertilizer.

START OF THE 1ST PHASE OF THE DESALINATION PLANT IN JORF LASFAR

As an integral part of OCP Group's "water" strategy, the desalination plant aims to cover the additional needs due to the development of Khouribga-Jorf Lasfar Axis (doubling mining capacities, tripling processing capacities), without any additional demand in conventional waters.

STRENGTHENING THE ACTIVITY OF OCP AFRICA

This new subsidiary aims at contributing to the challenge of a structured, efficient and sustainable agriculture on the African continent by offering to agricultural producers all the means to succeed: adapted and affordable products, services and support, logistical and financial solutions. To support its local development, OCP Africa created 9 subsidiaries in African countries during 2016, especially in Kenya, Ghana, Senegal, Cote d'Ivoire, Cameroon and Nigeria. OCP Africa holding company has obtained the status «Casablanca Finance City» (CFC), a key advantage to facilitate its investments and operations in the continent.

Financing

SUBORDINATED PERPETUAL BOND ISSUE

On December 16, 2016, OCP Group issued a perpetual subordinated bond with options for prepayment and deferred payment of interest, of 5 billion dirhams. This public offering is made by issuing 50,000 perpetual subordinated bonds with a nominal value of 100,000 dirhams each. This operation strengthens the Group's financial structure and supports its transformation while strengthening its credit ratios.

Events after the reporting period

No significant events after the reporting period have been noted.

Consolidated financial statements

Consolidated statement of profit and loss

(In millions of dirhams)	*Note*	*FY 2016*	*FY 2015*
Revenue	4.1.1.2	42,471	47,747
Production held as inventory		207	2,205
Purchases consumed	4.2.2	(15,207)	(17,404)
External expenses	4.2.2	(6,823)	(7,241)
Personnel expenses	5.1	(7,977)	(8,093)
Taxes		(217)	(244)
Profit (loss) from joint ventures	6.1	123	358
Exchange gains and losses on operating receivables and payables		135	329
Other operating income and expenses		63	
EBITDA		12,777	17,659
Amortization, depreciation and operating provisions	8.4 - 9.2	(4,475)	(3,840)
Operating profit (loss) before exceptional items		8,301	13,820
Other non-current operating income and expenses	7.2	(1,707)	145
Operating profit (loss)		6,594	13,965
Cost of gross financial debt		(714)	(591)
Financial income from cash investments		311	228
Cost of net financial debt	10.1.5	**(402)**	**(363)**
Exchange gains and losses on financial receivables and payables		(579)	(2,188)
Other financial income and expenses		(160)	(986)
Other financial income and expenses	10.2.3	**(740)**	**(3,174)**
Financial profit (loss)		**(1,142)**	**(3,537)**
Profit (loss) before tax		5,453	10,428
Corporate Income Tax	11.2 - 11.3	(1,673)	(2,418)
Net profit (loss) for the period		3,780	8,010
Net profit (loss) - Group share		3,779	8,011
Net profit (loss) - Non-controlling interests		1	
Basic and diluted earnings per share in dirhams	12.4	45.96	97.52

Consolidated Statement of Comprehensive Income

(In millions of dirhams)	*FY 2016*	*FY 2015*
Net profit (loss) for the period	3,780	8,010
Actuarial gains or losses	(31)	(62)
Taxes	5	12
Share of gains and losses recognized in equity for equity-accounted		
Items that will not be reclassified to profit or loss	**(26)**	**(51)**
Translation differences	16	13
Revaluation of assets held for sale*	(235)	(479)
Taxes	49	96
Share of gains and losses recognized in equity for equity-accounted (CFH variation)	(10)	(2)
Items that may be reclassified to profit or loss	**(181)**	**(373)**
Income and expenses for the period, recognized directly in equity	**(207)**	**(423)**
Consolidated comprehensive income	3,573	7,587
Including Group share	*3,572*	*7,587*
Including non-controlling interests' share	*1*	

* Including reclassification of MAD -259 million of gains recognized directly in equity, following the sale of all remaining securities of BCP (see Note 10.2.2. «Available for financial assets»)

Consolidated Statement of Financial Position

(In millions of dirhams)	*Note*	*31 December 2016*	*31 December 2015*
ASSETS			
Current assets			
Cash and cash equivalents	10.1.3.1	11,017	9,246
Cash financial assets		4,885	7,097
Inventories	4.2.4.2	9,956	10,224
Trade receivables	4.1.2.2	5,047	5,409
Other current assets	7.3	10,724	10,836
Total current assets		41,629	42,812
Non-current assets			
Non-current financial assets	10.2.2	13,344	11,227
Investments in equity-accounted companies	6.1	3,464	3,437
Deferred tax assets	11.4	12	195
Property, plant and equipment	8.2	92,234	83,981
Intangible assets	8.3	230	187
Total non-current assets		109,283	99,027
Total Assets		150,911	141,839

(In millions of dirhams)	*Note*	*31 December 2016*	*31 December 2015*
LIABILITIES			
Current liabilities			
Current loans and financial debt		5,954	4,798
Current provisions	9.3	188	142
Trade payables		14,370	13,945
Other current liabilities	7.4	5,159	7,412
Total current liabilities		25,670	26,298
Non-current liabilities			
Non-current loans and financial debt		47,967	46,792
Non-current provisions for employee benefits	9.3	4,562	4,477
Other non-current provisions	9.3	445	449
Deferred tax liabilities	11.4	462	45
Total non-current liabilities		53,436	51,763
Equity - Group share			
Issued capital	12.1	8,287	8,288
Paid-in capital		18,698	18,698
Consolidated reserves - Group share		39,570	28,780
Net profit (loss) - Group share		3,779	8,011
Equity - Group share		70,335	63,776
Non-controlling interests		1,470	3
Total Equity		71,805	63,778
Total Liabilities and Equity		150,911	141,839

Consolidated Statement of Changes in Equity

(in millions of Dirhams)	Issued capital	Paid-in capital	Actuarial gains or losses	Hybrid securities	Other consolidated reserves
Equity as at 31 December 2014	8,288	18,698	**(2,400)**		27,223
Allocation of profit (loss) for FY 2014					5,077
Consolidated comprehensive income for FY 2014			(51)		
Change in scope					
Dividends paid					(1,240)
Others					134
Equity as at 31 December 2015	8,288	18,698	**(2,450)**		31,195
Allocation of profit (loss) for FY 2015					8,011
Consolidated comprehensive income for FY 2016			(26)		
Insuance of hybrid securities (*)				5,000	
Hybrid securities coupons				(4)	
Change in scope (**)					536
Dividends paid					(2,478)
Others					(61)
Equity as at 31 December 2016	8,288	18,698	**(2,477)**	4,996	37,203

(*)This issue is considered as equity in the Group's consolidated financial statements prepared in accordance with IFRS (see Note 12.4)
(**) Cession of 40% of the participation in JFC V, 60% of this entity is still controlled by OCP S.A.

Translation difference	*Assets held for sale*	*Share of gains and losses recognized in equity for equity-accounted (CFH variation)*	***Net profit (loss)***	*Total equity - Group share*	*Non-controlling interests*	*Total equity*
(178)	570	16	5,077	57,294	296	57,589
			(5,077)			
13	**(383)**	**(2)**	8,011	7,587		7,587
					(292)	(292)
				(1,240)		(1,240)
				134		134
(165)	186	14	8,011	63,776	3	63,779
			(8,011)			
10	(186)	(10)	3,779	3,566	1	3,567
				5,000		5,000
				(4)		(4)
				536	1,467	2,003
				(2,478)		(2,478)
				(61)		(61)
(156)		3	3,779	70,335	1,470	71,805

Consolidated Statement of Cash Flows

(In millions of dirhams)	Note	31 December 2016	31 December 2015
Consolidated total net profit (loss)		3,780	8,010
+/- Tax expense (income)	11.2 -11.3	1,673	2,418
+/- Net depreciation and amortization of PP&E and intangible assets		4,287	3,437
+/- Other provisions		106	150
+/- Net profit (loss) of associates and joint ventres accounted for using the equity method		(123)	(358)
+/- Net loss/(net gain) from investing activities		(214)	(722)
+/- Net loss/(net gain) from financing activities		489	455
+/- Other movements (1)		768	3,413
Funds from operations		10,766	16,803
Impact of the change in WCR:		1,710	**(7,297)**
Inventories		328	(1,769)
Trade receivables		381	1,001
Trade payables		1,151	(1,847)
Other current assets and liabilities		(150)	(4,682)
- Taxes paid		**(3,013)**	**(1,134)**
Total net cash flows related to operating activities		9,463	8,372
Acquisitions of PP&E and intangible assets (2)	8.2 - 8.3	(12,725)	(12,611)
Disposals of PP&E and intangible assets		281	230
Net financial investments (3)		(790)	(2,249)
Impact of changes in scope		2,000	(23)
Acquisitions of financial assets		(25)	(580)
Disposal of financial assets		534	1,065
Dividends received		75	138
Total net cash flows related to investing activities		**(10,650)**	**(14,030)**
Loan issue		6,863	13,755
Repayment of loan		(4,106)	(4,496)
Hybrid securities issue (4)		5,000	
Net financial interest payments		(2,172)	(2,096)
Dividends paid to Group shareholders	12.2	(2,478)	(1,240)
Total net cash flows related to financing activities		3,107	5,924
Impact of changes in exchange rates on cash and cash equivalents		18	(30)
Net increase/(decrease) in cash and cash equivalents		1,939	236
Opening cash and cash equivalents	10.1.3.1	9,070	8,834
Closing cash and cash equivalents	10.1.3.1	11,009	9,070
Change in net cash		1,939	236

(1) Mainly concern the neutralization of the currency impact on financial debts denominated in foreign currencies and the neutralization of the discounting of VAT credit in 2015 and 2016.

(2) Acquisitions of PP&E and intangible assets are net of fixed assets liabilities for MAD 838 million for 2015 vs. MAD 25 million for 2015.

(3) Mainly include the variations on term deposits whose maturities exceed 3 months which generated a positive cash position of MAD 2,147 million, and the increase in the non-current portion of VAT credit which increased the working capital requirement for MAD 2,828 million.

(4) Issuance in December 2016 of subordinated bond with options for prepayment and deferred payment of interest, of 5 billion dirhams issued in four tranches.

Notes to Consolidated Financial Statements

Note 1- Accounting rules and methods

1.1. BASES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with Opinion No. 5 of the Conseil National de la Comptabilité (CNC - National Accounting Council) of 26 May 2005, and in compliance with the provisions of Article III, paragraph 2 of the circular of the Conseil Déontologique des Valeurs Mobilières (CDVM – Securities Commission), entered into force on 1 April 2012, the consolidated financial statements of the OCP Group are prepared in accordance with the standards and interpretations drawn up by the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee respectively, and adopted by the European Union.

The reporting currency for the consolidated financial statements is the Moroccan Dirham.

The consolidated financial statements of OCP Group on 31 December 2016 were approved by the Board of Directors on 14 March 2017.

The accounting principles and methods adopted for the preparation of the consolidated accounts of OCP Group as at 31 December 2016 are identical to those used for the preparation of the consolidated financial statements for the year ended 31 December 2015, with the exception of the evolution of the consolidated financial statements described hereafter, and the standards, amendments and interpretations adopted by the European Union applicable as from 1 January 2016.

1.2. CHANGES IN THE PRESENTATION OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

No new standards apply for the first time as of January 1, 2016. Only a few amendments to the standards are mandatory for financial year beginning in 2016:

- Amendments to IAS 1 « Improving disclosure initiative »;
- Amendments to IAS 16 and IAS 38 « clarification of acceptable methods of depreciation and amortization »;
- Amendments to IAS 19 « Defined benefit plans, employee contributions »;
- Amendments to IFRS 11« Accounting for acquisitions of interests in joint operations »
- Annual improvements, 2010-2012 and 2012-2014 cycles.

At Group level, the implementation of these amendments has no significant impact.

1.3. STANDARDS AND INTERPRETATIONS ADOPTED BY THE IASB BUT NOT YET APPLIED AT 31 DECEMBER 2016:

OCP Group has not opted for early adoption of any of the new standards and interpretations mentioned hereafter that could concern it and whose application is not mandatory at 1st January 2016:

- IFRS 9 « Financial instruments »;
- IFRS 15 "Revenue from contracts with customers";
- IFRS 16 "Leases";
- Amendments to IAS 7 « Disclosure Initiative » ;
- Amendments to IAS 12 « Recognition of deferred tax assets for unrealized losses» ;
- Amendments to IFRS 10 and IAS 28 «Sales or contributions of assets between an investor and its associate/joint venture »;
- Amendments to IFRS 2 « Classification and measurement of share-based payment transactions »;
- Annual improvements, 2010-2012 and 2012-2014 cycles;
- IFRIC 22 « Foreign Currency Transactions and Advance Consideration ».

OCP Group is conducting an analysis of the impacts of these amendments implementation.

1.4. USE OF THE MANAGEMENT'S JUDGMENT

The Group's management uses judgment to determine the appropriate accounting treatment for some activities and transactions when the IFRS standards and interpretations do not specifically deal with the related accounting issues.

In particular, the Group applied its judgment in the consolidated statement of financial position on the presentation of current and non-current assets and liabilities, combined with a presentation by the order of liquidity. Given the Group's financial situation, it was considered that the classification's standard within current and non-current assets and liabilities based on the liquidity's order was more relevant, because it complies with our international main competitors' practices.

1.5. USE OF ESTIMATES AND ASSUMPTIONS

In order to draw up the consolidated financial statements, in compliance with the international accounting standards in force, the Group's management has had to make estimates and assumptions that have an impact on the financial statements and the accompanying notes.

The Group makes these estimates and assessments in reference to its past experience as well as various other factors deemed reasonable that form the basis for these assessments. The underlying estimates and assumptions are reviewed on an ongoing basis.

The main estimates made by the management in order to draw up the financial statements concern the measurement and useful lives of the operating assets (notably tangible assets), the amount of the provisions for liabilities and charges and other provisions related to the activity and the environmental obligations, as well as the assumptions adopted for the calculation and measurement of the obligations related to employee benefits. The Group notably uses discount rate assumptions based on market data in order to estimate its long-term assets and liabilities.

Note 2- Consolidation scope

2.1. CONSOLIDATION METHOD

As from 1 January 2014, the Group has applied the new standards on consolidation scope, IFRS 10, 11, 12 and IAS 28 amended. IFRS 10 redefines the notion of control of an entity based on three criteria:

- power over the investee, i.e., the ability to direct the activities that significantly affect the investee's returns;
- exposure to the entity's variable returns, which may be positive, in the form of dividends or any other economic benefit, or negative;
- and the link between the power and these returns, namely the ability to use the power over the investee to affect its returns.

To determine control, OCP realizes a deep analysis of the governance and rights held by the other shareholders.

When necessary, it also performs an analysis of the instruments held by the Group or by third parties (potential voting rights, dilutive instruments, convertible instruments, etc.) which, when exercised, could modify the type of influence exerted by each of the parties.

Joint arrangements are classified in two categories (joint operations and joint ventures) depending on the nature of the rights and obligations of the parties to the arrangement. At the level of the Group's scope of consolidation, the application of the standard IFRS 11 have characterized them as joint ventures and consolidated them using the equity method.

Associates are entities over which the Group has significant influence. Significant influence is presumed where the Group's holding is equal to or greater than 20 % . However, significant influence may be determined in cases of shareholding at a lower percentage, notably when the Group is represented on the Board of Directors or in any equivalent governing body, thus participating in the development of the entity's operational and financial policies and its strategic orientations.

OCP does not hold any stake in structured entities as defined by IFRS 10.

2.2. TRANSLATION METHOD

Translation of foreign financial statements

The functional currency of an entity is the currency used in the economic environment in which this entity principally functions. The financial statements of foreign companies with a functional currency other than the Moroccan Dirham are translated at the closing exchange rate for balance sheet items, and at the average exchange rate for the financial year for profit and loss account items. The resulting translation differences are recognized in "Translation differences" in equity.

Transactions in currency other than the functional currency

Foreign currency transactions are recorded in the functional currency of the entity applying the exchange rate in force at the transaction date. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into the functional currency using the exchange rate at that date. The resulting translation differences are recognized in financial profit or loss for financing operations and in operating profit or loss for operating receivables and debt.

Net investment in a foreign operation

Exchange differences resulting from the translation of a net investment in a foreign operation and the corresponding hedges are recognized in "Translation reserves". They are recognized in profit or loss upon the derecognition of the foreign operation.

2.3. CONSOLIDATION SCOPE

Entité	Country of location	Currency	31 December 2016		31 December 2015	
			Consolidation Equity methodthod	% Interest	Consolidation Equity methodthod	% Interest
Industrial						
OCP S.A - Holding	Morocco	MAD	**Parent**	100.00	**Parent**	100.00
Jorf Fertilizer Company I - JFC I	Morocco	MAD	Full	100.00	Full	100.00
Jorf Fertilizer Company II - JFC II	Morocco	MAD	Full	100.00	Full	100.00
Jorf Fertilizer Company III - JFC III	Morocco	MAD	Full	100.00	Full	100.00
Jorf Fertilizer Company IV - JFC IV	Morocco	MAD	Full	100.00	Full	100.00
Jorf Fertilizer Company V - JFC V	Morocco	MAD	Full	60.00	Full	100.00
Euro Morocco Phosphore- EMA	Morocco	MAD	Equity method	33.33	Equity method	33.33
Indo Morocco Phosphore - IMA	Morocco	MAD	Equity method	33.33	Equity method	33.33
Pakistan Morocco Phosphore - PMP	Morocco	MAD	Equity method	50.00	Equity method	50.00
Phosboucraa	Morocco	MAD	Full	100.00	Full	100.00
Paradeep Phosphates Ltd. - PPL	India	INR	Equity method	50.00	Equity method	50.00
Groupe PRAYON	Belgium	EUR	Equity method	50.00	Equity method	50.00
Trading						
OCP Africa	Morocco	MAD	Full	100.00		
Black Sea Fertilizer Trading Company	Turkey	TRY	Full	70.00	Full	70.00
OCP Fertilizantes	Brazil	BRL	Full	100,00	Full	100.00
SAFTCO	Swiss	USD	Full	100.00		
Others						
OCP International	Netherlands	EUR	Full	100.00	Full	100.00
OCP International SAS	France	EUR	Full	100.00	Full	100.00
Fondation OCP	Morocco	MAD	Full	100.00	Full	100.00
Fondation Phosboucraa	Morocco	MAD	Full	100.00		
Mohammed VI Polytechnic University	Morocco	MAD	Full	100.00		
OCP Services	Morocco	MAD	Full	100.00	Full	100.00
Jacobs Engineering S.A - JESA	Morocco	MAD	Equity method	50.00	Equity method	50.00
Centre d'Etudes et de Recherches des Phosphates Minéraux	Morocco	MAD	Full	100.00	Full	100.00
Dupont OCP Operations Consulting - DOOC	Morocco	MAD	Equity method	50.00	Equity method	50.00
Société d'Aménagement et de Développement de Mazagan - SAEDM	Morocco	MAD	Equity method	51.00	Equity method	51.00
Société d'Aménagement et de Développement Vert - SADV	Morocco	MAD	Full	100.00	Full	100.00
OCP Innovation Fund For Agriculture - OIFFA	Morocco	MAD	Full	100.00	Full	100.00
Société de Transports Régionaux - SOTREG	Morocco	MAD	Full	100.00	Full	100.00
Société Marocaine d'Etudes Spéciales et Industrielles	Morocco	MAD	Full	100.00	Full	100.00

2.4. CHANGES IN SCOPE

The main changes in scope that took place during financial year 2016 are related to:

- The full integration of OCP Africa. This holding is dedicated to the agricultural transformation in Africa through its subsidiaries in 14 countries (Cote d'Ivoire, Senegal, Cameroon, Benin, Congo, Nigeria, Angola, Tanzania, Zambia, Zimbabwe, Mozambique, Ghana, Kenya, Ethiopia);

- The full integration of Mohamed VI Polytechnic University in Benguérir;

- The full integration of SAFTCO in Swiss. The purpose of this subsidiary is the trading of raw materials, including phosphate, fertilizers and chemicals;

- The full integration of Fondation Phosboucraâ. Based in Laayoune, the mission of this foundation is to bring the social and societal commitment of the Group to the southern regions.

- The disposal of 40% of interests in JFC V for 2 billion dirhams. This entity remains controlled by OCP S.A up to 60%.

The deconsolidation of the subsidiary "Société d'Aménagement et de Développement de Mazagan » SAEDM out of the full consolidation method, is due to facts and circumstances that occurred during the first half of 2015. Indeed, the control over that entity is substantially related to choices of structuring projects led by SAEDM. These projects must be subject to mutual approval of the two shareholders OCP S.A and "Les Domaines de l'Etat". OCP Group only exerts notable influence on SAEDM, from that date.

Note 3- Segment reporting

The presentation of the Group' segment information has been modified. It is now done by production axis in accordance with the Group's organization and internal reporting:

- **Northern Axis (Khouribga – Jorf Lasfar)**: this axis hosts the integrated phosphate chemical processing hub. Phosphate extracted at Khouribga is transported by slurry pipeline to Jorf Lasfar, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the OCP port at Jorf Lasfar.

- **Central Axis (Youssoufia and Benguérir – Safi) and Phosboucraâ**: this axis hosts:
  - The integrated phosphate processing hub. The phosphate extracted at Youssoufia and Benguérir is transported by rail to Safi, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the OCP port at Safi;
  - Phosboucraâ's extraction site. The phosphate that is extracted there is transported by conveyer to the processing center at Laâyoune, then exported by sea from the Laâyoune port.

- **Head office and other activities**: it hosts the corporate activities and the activities of international entities.

3.1. INFORMATION BY OPERATING SEGMENT

(In millions of dirhams)	*Northern Axis*		*Central Axis and Phosboucraâ*		***Head-office and Other** activities*		*Intersegment eliminations*		*Total*	
	FY 2016	*FY 2015*	*FY 2016*	*FY 2015*	*FY 2016*	*FY 2015*	*FY 2016*	*FY 2015*	*FY 2016*	*FY 2015*
Revenue	29,538	33,671	12,628	14,714	1,856	1,196	(1,552)	(1,834)	42,471	47,747
Production held as inventory	72	1,751	(31)	450	166	3			207	2,205
Purchases consumed	(10,967)	(12,878)	(3,484)	(4,083)	(1,633)	(1,002)	878	558	(15,207)	(17,404)
External expenses	(2,904)	(3,047)	(2,246)	(2,081)	(2,133)	(3,396)	460	1,283	(6,823)	(7,241)
Personnel expenses	(3,678)	(3,991)	(2,608)	(2,828)	(1,691)	(1,274)			(7,977)	(8,093)
Taxes	(122)	(154)	(72)	(70)	(23)	(19)			(217)	(244)
Profit (loss) of associates and joint ventures accounted for using the equity method	90	282			33	77			123	358
Exchange gains and losses on operating receivables and payables	34	16	12	4	89	307			135	329
Other operating income and expenses	(142)	63	2	16	(12)	(72)	215	(7)	63	
EBITDA	11,921	15,713	4,202	6,123	**(3,348)**	**(4,179)**			12,777	17,659
Amortization, depreciation and operating provisions	(3,174)	(2,437)	(785)	(979)	(517)	(423)			(4,475)	(3,840)
Current operating profit (loss)	8,748	13,276	3,417	5,143	**(3,865)**	**(4,603)**			8,301	13,820
Other non-current operating income and expenses	(45)	568		(118)	(1,662)	(305)			(1,707)	145
Operating profit (loss)	8,703	13,844	3,417	5,025	**(5,527)**	**(4,908)**			6,594	13,965

The financial year 2016 showed a pressure on phosphates and derivatives prices, impacting the Group's revenues.

The Northern axis, which accounts for 70% of total revenues, declined by 12% in sales, mainly on phosphates and phosphoric acid. However, fertilizer sales increased especially in Africa and Latin America.

The Central Axis also follows the same trend, undergoing the impact of prices, with a 14% drop in sales.

Fertilizer sales of the other subsidiaries strengthened, with an increase of 55% thanks to the integration of new entities in the scope of consolidation (OCP Africa Group).

Operating expenses decreased by 8% in 2016, mainly due to lower prices of raw materials. Indeed, the Northern and Central axis recorded a decrease of purchases of raw materials in sulfur and ammonia by 28 % between the 2015 financial year and the 2016 financial year.

The beneficial effects of Slurry Pipeline on the Northern Axis are still conformed by the decrease of fuel consumption at the Khouribga mine (-14 %) and phosphate transport by rail (-23 %). Volumes transported by Pipeline increased by 54 % between financial year 2015 and financial year 2016.

The provided services increased by 33% in 2016, following the outsourcing of the maintenance of some facilities. This increase is offset by savings on Group contributions and donations (-43%).

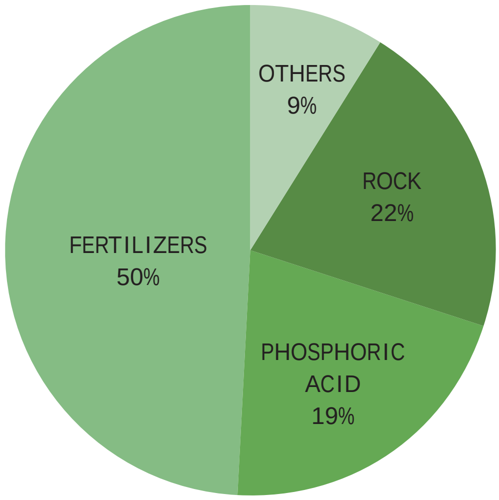
Personnel expenses remained stable in the Northern and Central Axis. The increase observed on the Head Office and other activities is due to the integration in the consolidation scope of Mohamed VI Polytechnic University and OCP Africa.

3.2. REVENUE BY COUNTRY

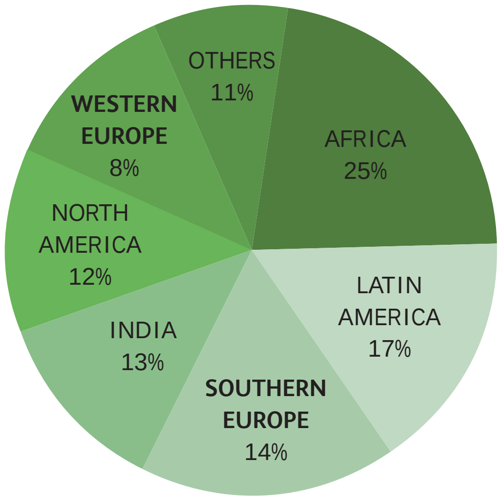
In 2016, revenues decreased by 11% to MAD 42 471 million, compared to 2015.

The breakdown of net consolidated sales by country and by product as at 31 December 2016 is detailed as follows:

REVENUE BY PRODUCT



REVENUE BY COUNTRY



The Group makes its turnover with a diversified clientele. No client alone generates more than 7 % of the consolidated revenues.

It should also be noted that 99% of the consolidated assets are located in Morocco.

Note 4- Operational data

4.1. OPERATING REVENUE

4.1.1. REVENUE

4.1.1.1. ACCOUNTING TREATMENT OF REVENUE

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed. Revenue is recognized upon the transfer of the significant risks and rewards of ownership of the goods, and when the amount of revenue can be reasonably estimated. This transfer of ownership is made at the time of delivery of goods for local sales and as per Incoterms for export sales:

- Sales carried out FOB (Free on Board): transfer of risk takes place when the goods are placed on board the ship at the port of shipment. This primarily concerns sales related to the mining activities
- Sales carried out under the incoterm CFR (Cost and Freight): OCP bears, in addition, the transport costs to the destination port, loading costs, export formalities and the related duties and taxes.

4.1.1.2. INFORMATION BY PRODUCT FAMILY

The unfavorable economic situation throughout the phosphates and derivatives' sector explains the contraction in turnover, with prices falling in all three segments.

The price decline is brought about by an oversupply market mainly due to Chinese exports and the accumulation of inventories by Chinese and Indian producers.

(In millions of dirhams)	*FY 2016*	*FY 2015*
Phosphates	9,054	12,828
Phosphoric acid	8,196	11,367
Fertilizer	21,349	19,393
Other income	3,873	4,159
Revenue	42,471	47,747

Phosphate sales decreased by MAD 3.8 billion compared to the previous year. This decrease is mainly explained by lower selling rock export prices ($ 120/T FOB in December 2015 against $ 94/T FOB in December 2016). Sales volumes also decreased by 7 % between financial years 2016 and 2015, due in particular to lower sales on the Brazilian and Indian markets.

The sales of phosphoric acid fell by MAD 3.2 billion between the financial year 2015 and the financial year 2016. This decrease was primarily due to lower prices on the international market ($772/T in December 2015 against $594/T in December 2016). Volumes decreased by 8%.

Sales of fertilizers have increased by MAD 2 billion between the financial year 2015 and the 2016 (+10 %). This increase is mainly due to positive volume effect due to the strengthening of the Group's strategy in Africa and strong sales momentum in the Americas.

This increase helped to offset the falling prices due to oversupply in the international market. Indeed, fertilizer export prices fell by 27% between the financial year 2015 and the financial year 2016.

Moreover, in the national market, OCP subsidizes purchases of fertilizer by Moroccan farmers through the OCP Foundation. This subsidy was deducted from fertilizer turnover in the amount of MAD 1,023 million in financial year 2015 and in the amount of MAD 311 million in financial year 2016.

The other revenues are mainly relate to activity «Cargo» and other ancillary products (gypsum sales, sulfuric acid, ammonia ... etc.).

4.1.2. TRADE RECEIVABLES

4.1.2.1. ACCOUNTING TREATMENT OF TRADE RECEIVABLES

This category includes operating receivables, deposits and guarantees, as well as loans. Upon initial recognition, loans and receivables are recorded in the balance sheet at their fair value plus transaction costs directly attributable to the acquisition or issue of the asset. At the closing date, these assets are measured using the amortized cost method. A loss in value is recorded depending on the risk of non-recovery.

4.1.2.2. ANALYSIS OF TRADE RECEIVABLES

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Trade receivables invoiced	5,269	5,569
Provisions - trade receivables	(222)	(160)
Net trade receivables	5,047	5,409

At the end of 2016, the Group initiated a factoring program. Under this program, OCP S.A has agreed to transfer, on a revolving basis, trade receivables through conventional subrogation or assignment of receivables without recourse against the risks of default of the debtor. The analysis of risks and benefits as defined by IAS 39 led the Group to derecognize the assigned receivables covered by this factoring program. This way, in financial year 2016, an aggregate amount of $ 132 million of receivables was transferred under this program.

Net trade receivable maturities as at 31 December 2016 are as follows:

		Matured receivables			
(In millions of dirhams)	*Unmatured receivables*	*< 30 days*	*30 - 180 days*	*More than 180 days*	*Total*
Net trade receivables	3,298	1,421	156	172	5,047

4.1.3. MANAGEMENT OF EXCHANGE RISK AND CREDIT RISKS

Exchange risk

The Group's exposure to risk mainly results from the performance of a large part of its operating flows and its financial flows in currencies other than that in which the Group keeps its financial statements (MAD), mainly the US dollar and the euro. OCP Group hedges its currency flows through natural hedging (foreign currencies revenues – foreign currency expenses) and transfers the balance on the market throught spot transactions.

Credit risks

OCP Group is present in more than 50 countries around the globe. Its turnover is mainly generated by exports. OCP Group's customers include major international groups who have had an ongoing business relationship with the Group for several years.

Credit risk arises mainly from customer risk if that customers are unable to meet their obligations under the agreed terms, bank and political risk. OCP Group is requiring a very active monitoring of trade receivables, counterparty risks. Monitoring is also permanent and rigorous with pre-emptive recovery and in case of overshooting.

Specific indicators are transmitted monthly via the reporting tools and analyzed by the Group's finance department. These indicators are considered to be key elements to appreciate the payment performance of clients and counterparties.

OCP has a comprehensive credit risk hedging policy that is based on periodic assessments of the financial strength of its clients and counterparties. So, the Group hedges credit risk through a non-recourse credit insurance and factoring program signed with global players.

4.2 PURCHASES CONSUMED AND EXTERNAL CHARGES

4.2.1 ACCOUNTING TREATMENT OF OPERATING CHARGES

Operating expenses are those related the operating business cycle of the company. They correspond to the expenses which contribute to sustainable wealth creation. The main operating expenses are generally the consumption of raw materials, consumable, non-storable materials and supplies expenditure, external consumptions, staff costs (see Note 5 : Expenses and employee benefits) and taxes.

In accordance with the principle of matching revenues and expenses, revenues and expenses are directly related to each other and recorded in the same period.

4.2.2 ANALYSIS OF PURCHASES CONSUMED AND EXTERNAL CHARGES

Purchases consumed:

(In millions of dirhams)	*FY 2016*	*FY 2015*
Purchases of materials and supplies	(275)	(38)
Purchases of raw materials	(8,789)	(11,843)
Purchases of other consumables	(3,085)	(2,954)
Purchases of non-storable supplies	(1,581)	(1,406)
Purchases of works, studies and services	(1,477)	(1,163)
Purchases consumed	**(15,207)**	**(17,404)**

Purchases of raw materials in December 2016 recorded a decrease of MAD 3.1 billion (-26 %) between the financial year 2015 and the financial year 2016. This relates especially to purchases used sulfur and ammonia.

The sulfur consumption has declined by MAD 2.3 billion due to the falling market prices ($ 151/T CFR for December 2015 against $ 93/T CFR for December 2016).

Volumes meanwhile, grew by 5% (4.7 million tons in December 2015 versus 4.9 million tons in December 2016), correlated with the increase in phosphoric acid production.

Ammonia consumption has also showed a decrease of MAD 391 million, which is mainly explained by the lower average price ($ 431/T CFR during 2015 versus $ 279/T CFR during 2015). This decline in prices offsets the increase of 33% of volumes consumed during 2016 compared to 2015 (805 KT in FY 2015 versus 1,073 KT in FY 2016) due to the increase of fertilizer production.

The increase in services of MAD 313 million is mainly due to the outsourcing of the maintenance of certain granulation lines at Jorf, to the fertilizer and acid processing with the joint ventures and to the impact of the service to the benefit of the Agence Nationale des Ports (ANP).

External expenses:

(In millions of dirhams)	*FY 2016*	*FY 2015*
Freight out	(3,238)	(3,522)
Other operating transport	(870)	(498)
Consulting and fees	(375)	(339)
Contributions and donations	(590)	(1,035)
Maintenance and repairs	(314)	(264)
Leases and lease expenses	(279)	(297)
Insurance premiums	(172)	(164)
Other external expenses	(986)	(1,121)
External expenses	**(6,823)**	**(7,241)**

ONCF transport expenses for sales were down MAD -327 million due to lower volumes shipped by rail on the axis Khouribga/Jorf Lasfar and higher volumes shipped by Slurry Pipeline.

Furthermore, the increase in other operating transport is mainly explained by the standard contributions to the Office National des Chemins de Fer (ONCF) for an amount of MAD 400 million. By this contribution, OCP Group participate in the investment effort and maintenance of railway lines made by ONCF.

The decrease of contributions and donations is mostly due to those related to OCP Foundation.

4.2.3 RISKS RELATED TO RAW MATERIALS

Sulphur supplies
With global trade in sulphur representing 34 million tons per year, OCP Group imports almost 5 million tons per year and should import 7 million tons after the start-up of the new fertilizers production units. These imports are made via direct contracts with the world's main exporters of sulphur. The contracts are framework contracts under which volumes are fixed annually and prices are negotiated periodically. The portfolio of suppliers is diversified to limit exposure to any given supplier. It includes all the main suppliers, from the Middle East, Europe (Total, Shell, Repsol…etc.), North America (Shell, Koch…etc.), Russia (Gazprom) and Kazakhstan (TCO).

Sulphur prices
The price is fixed quarterly. The prices negotiated by the OCP Group are among the most competitive as a result of the diversification policy and the Group's weight on the international market.

Ammonia supplies
Global trade in ammonia represents approximately 20 million tons per year. This market is a very regional one due to the high logistics costs involved. The Group's annual procurements represent around 1.1 million tons per year and should reach 2 million tons after the start-up of the granulation units and the fertilizers production units. Morocco's geographical situation is advantageous in that it enables the Group to be close to the locations of the world's main exporters of ammonia (Black Sea 3.5 million tons per year, Trinidad and Tobaggo 5 million tons and Algeria 1.5 million tons).

The new dynamic of shale gas in North America and the ammonia projects announced in Russia will provide further potential supply sources for the Group in the future.

Overall, ammonia is produced close to where gas is produced, and any prolonged instability in a gas-producing region could impact the ammonia market.

Ammonia prices
The price of ammonia is volatile and consequently prices are fixed cargo by cargo or over a short period. However, the Group has entered into contracts with all the main suppliers in our region (Russia, Algeria, Ukraine, etc.) to guarantee the availability of the product.

4.2.4 INVENTORIES

4.2.4.1 ACCOUNTING TREATMENT OF INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined according to the weighted average cost method. It comprises the costs of purchase, production, conversion and other costs incurred in bringing the inventories to their present location and condition. For manufactured inventories and work-in-progress, the cost includes an appropriate share of the overheads based on normal production capacity.

At the moment of the sale, inventories are accounted as expenses in current operating income at the same period as the corresponding product.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Incorporable costs exclude the portion of sub-activity.

4.2.4.2 ANALYSIS OF THE INVENTORIES EVOLUTION

(In millions of dirhams)	*31 December 2016*			*31 December 2015*		
	Gross	*Depreciation*	*Net*	*Gross*	*Depreciation*	*Net*
Goods purchased for resale	4,240	(1,391)	2,849	4,482	(1,176)	3,306
Consumables	3,850		3,850	3,165	(17)	3,148
Work in progress	615	(11)	605	964	(1)	963
Intermediate products and residual products Finished products	2,701	(49)	2,652	2,895	(95)	2,800
Total Inventories	11,406	**(1,451)**	9,956	11,513	**(1,289)**	10,224

Consumables inventory is mainly composed by non-strategic spare parts for installations; the life of these spare parts is short, therefore they cannot be considered as an asset. The obsolescence risk of the spare parts constitutes an indication of an impairment loss, which is annually reviewed to evaluate whether depreciation is required.

4.2.5 TRADE PAYABLES

(In millions of dirhams)	*31 December 2016*	*31 december 2015*
Trade payables	14,370	13,945

Trade payables correspond to payables and fixed assets liabilities. This position shows a slight increase of 3 % at 31 December 2016 compared to 31 December 2016.

Note 5- Expenses and employee benefits

5.1. PERSONNEL EXPENSES

(In millions of dirhams)	*FY 2016*	*FY 2015*
Employee remuneration and related social charges	(6,611)	(6,386)
Retirement benefits and other employee benefits	(1,362)	(1,698)
Other expenses	(4)	(8)
Personnel expenses	**(7,977)**	**(8,093)**

Personnel expenses remained globally steady between 2015 and 2016. The increase of employee remuneration, due to the implementation of the 2016 protocol agreement to the benefit of Technicians, Supervisors and Administrative executive's staff, is offset by the decrease of other employee benefits, retirements and the decrease in the accompanying measures for access to housing for OCP officers. Furthermore, the wage bill had to be increased due to the entry into the consolidation scope of Mohammed VI Polytechnic University and OCP Africa in 2016.

5.2.NUMBER OF EMPLOYEES

(On number)	*31 December 2016*	*31 December 2015*
Non-excecutives	2,308	1,817
Technicians, Supervisors and Administrative employees	6,657	6,702
Manual workers and Clerical staff	12,015	12,190
Number of employees	20,980	20,709

The number of employees is 1% higher than at the end of December 2015, up from 20,709 to 20,980 employees. This increase is essentially due to recruitment of new agents reduced by the retirements.

5.3. POST-EMPLOYMENT BENEFIT AND OTHER BENEFITS

5.3.1. GENERAL PRESENTATION OF SCHEMES EXISTING WITHIN THE GROUP AND ACCOUNTING TREATMENT

OCP Group has three types of benefits schemes:

- Post-employment defined-contribution schemes, for which OCP Group's obligation is limited to the payment of a contribution which does not obligate the employer in any way as to the level of payments made by the RCAR (Régime Collectif d'Allocation de Retraite: Collective Retirement Benefit Scheme). The contributions are recognized in charges in the period during which the employees have rendered the corresponding services. The expenses related to defined-contribution schemes amount to MAD 519 million in 2016 against MAD 533 million in 2015.

- Post-employment defined-benefit plans which include all post-employment benefits for which OCP Group is committed to provide a certain level of benefits. This includes in particular the death benefit, retirement indemnities and post-employment medical cover for OCP staff.

- Other long-term employee benefits, other than post-employment benefits and termination benefits, which are not due wholly within twelve months after the end of the year during which the employees rendered the relevant services. This particularly concerns insurance benefits in relation to death insurance, disability and work-related accidents. Obligations for other long-term benefits are measured using an actuarial method similar to that applied to post-employment defined benefits.

Defined benefit plans are subject to a provision, determined using an actuarial valuation of the commitment by the projected unit credit method, taking into account the demographic and financial assumptions. The actuarial assumptions are reviewed on an annual basis. The differences related to changes in actuarial assumptions and adjustments related to experience (effect of differences between the previous actuarial assumptions and what has actually occurred) constitute actuarial differences recognized in equity that can't be recycled in accordance with the revised IAS 19, and are recorded in «actuarial gains or loss» in equity.

5.3.2. MAIN ACTUARIAL ASSUMPTIONS USED

All of the defined-benefit obligations have been calculated on the basis of actuarial calculations founded on assumptions such as the discount rate, the medical inflation rate, future increases in salaries, the employee turnover rate and mortality tables. The main assumptions used are as follows:

	31 December 2016	31 December 2015
Discount rate		
Death benefit	4.41%	5.02%
Medical plans	4.11%	4.62%
Expected salary increase rate	5.10%	5.10%
Rate of increase in medical costs	1.00%	2.00%

The discount rates are determined by reference to market yields on bonds issued by the Moroccan State, to which is added a basic risk premium to estimate the market yields on high quality corporate bonds over durations equivalent to those of the plans.

The rate of change in medical costs has been revised downwards following the trend reported by the Moroccan Statistical Institution, the Haut-Commissariat au Plan. Moreover, regarding the outsourcing of health insurance plan to the AMO, OCP had chosen 2018 as the year of changeover. This position was explained by the discussion of a bill to set the changeover date for AMO in 2018. As of December 31, 2016 and in the absence of this bill, OCP deferred this date to 2020.

5.3.3. OBLIGATIONS RELATED TO SOCIAL LIABILITIES

	31 December 2016					
	Post-employment benefits					
(In millions of dirhams)	*Pension supplement*	*Medical plans*	*Fixed retirement allocation*	*Total post-employment benefit*	*Other long-term benefits*	*Total employee benefits*
Net obligations recognized at 31 December 2014	367	3,018	645	4,030	185	4,216
Benefits paid	(6)	(387)	(106)	(499)	(27)	(526)
Service cost	7	63	74	143		143
Expenses related to discounting of obligations	19	151	33	202		202
Actuarial losses or (gains) for the period resulting from changes in:	(186)	232	16	62		62
Contributions		203		203		203
Other changes	177			177		177
Net obligations recognized at 1st January 2016	377	3,280	662	4,319	158	4,477
Benefits paid	(6)	(405)	(82)	(493)	(10)	(503)
Service cost	7	52	77	136		136
Expenses related to discounting of obligations	19	152	31	202		202
Actuarial losses or (gains) for the period resulting from changes in:	44	17	(30)	31		31
Contributions		219		219		219
Other changes						
Net obligations recognized at 31 December 2016	441	3,315	658	4,414	148	4,562

5.3.4. ANALYSIS OF SENSITIVITY TO THE ASSUMPTIONS USED FOR DEFINED-BENEFIT PLANS AND OTHER LONG-TERM BENEFITS RECOGNIZED

(as % of the item measured) Sensitivity analysis +1%	*31 December 2016*		*31 December 2015*	
	Additional retirement	*Medical plans*	*Pension supplement*	*Medical plans*
Discount rate				
Impact on the current value of gross commitments at 31 Decembere	-17%	-9%	-17%	-10%
Rate of change for medical costs				
Impact on the current value of gross obligations at 31 December		14%		16%

(as % of the item measured) Sensitivity analysis -1%	*31 December 2016*		*31 December 2015*	
	Additional retirement	*Medical plans*	*Pension supplement*	*Medical plans*
Discount rate				
Impact on the current value of gross commitments at 31 December	23%	11%	22%	13%
Rate of change for medical costs				
Impact on the current value of gross commitments at 31 December		-9%		-12%

5.4. KEY MANAGEMENT COMPENSATION

Key management includes the Chairman and Chief Executive Officer, Deputy Executive Officers, Executive Vice-Presidents, Senior Vice-Presidents, Vice-Presidents and advisors to the Chief Executive Officer.

(In millions of dirhams)	*FY 2016*	*FY 2015*
Short-term employee benefits	143	143
Post-employment benefits		
Total management compensation	143	143

Note 6 – Investments in joint ventures and associates*

6.1 ANALYSIS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Group's investments in joint ventures and associates are analyzed as follows:

(In millions of dirhams)	*31 December 2015*	*Dividends paid*	*Net profit (loss) for the period*	*Exchange difference*	*Income and expenses for the period, recognized directly in equity*	*Change in scope & others*	*31 December 2016*
PRAYON	1,070		5	8	6	(40)	1,048
EMA	167	(15)	15				167
IMA	342	(30)	(13)				300
PMP	633	(20)	88				701
PPL	883		31	(4)			910
SAEDM	301		(2)				300
Others	41		(1)				39
Total interests in joint ventures and associates	3,437	**(65)**	123	4	6	**(40)**	3,464

(In millions of dirhams)	*31 December 2014*	*Dividends paid*	*Net profit (loss) for the period*	*Exchange difference*	*Income and expenses for the period, recognized directly in equity*	*Change in scope & others*	*31 December 2015*
PRAYON	989		78	5	(2)		1,070
EMA	196	(70)	41				167
IMA	312	(29)	60				342
PMP	474		159				633
PPL	695		26	36		126	883
SAEDM			(2)			304	301
Others	3		(3)			40	41
Total interests in joint ventures and associates	2,668	**(99)**	358	41	**(2)**	470	3,437

6.2 BALANCE SHEETS AND INCOME STATEMENTS OF JOINT VENTURES AND ASSOCIATES

The note hereafter details at 100 % the lines of the balance sheet and income statement of the consolidated joint ventures and associates:

Balance sheet :

(In millions of dirhams)	*PRAYON*	*EMA*	*IMA*	*PMP*	*PPL*	*SAEDM*	*Others*
ASSETS							
Current assets							
Cash and cash equivalents	24	52	260	90	16	192	244
Cash financial assets					9		
Inventories	1,569	204	170	264	919	645	
Trade receivables	1,113	187	274	471	2,740		1,065
Current tax receivables		16	22	10			30
Other current assets	217	49	244	129	436	14	84
Total current assets	2,922	508	971	963	4,120	851	1,421
Non-current assets							
Non-current financial assets	58				285		7
Investments in equity-accounted companies	702						
Equity securities	16						121
Deferred tax assets	194						4
Property, plant and equipment	1,593	80	390	831	1,882		36
Intangible assets	140		15	17	1	2	13
Total non-current assets	2,703	80	405	848	2,168	2	180
Total Assets	5,625	588	1,376	1,812	6,288	852	1,602

(In millions of dirhams)	*PRAYON*	*EMA*	*IMA*	*PMP*	*PPL*	*SAEDM*	*Others*
LIABILITIES							
Current liabilities							
Current loans and financial debts	1,083			1	2,539		19
Current provisions	20		1		83		2
Trade payables	1,123	73	408	307	989	14	196
Debt to acquire fixed assets		1		9			
Current tax liabilities			11		18		43
Other current liabilities	350	15	18	65	189	1	360
Total current liabilities	2,576	88	438	381	3,818	15	620
Non-current liabilities							
Non-current loans and financial debts	502			1	607	250	
Non-current provisions for employee benefits	199						
Other non-current provisions	28				43		
Deferred tax liabilities	212	6	39	27			
Other non-current liabilities	36						
Total non-current liabilities	979	6	39	28	650	250	
Equity - Group share	458	180	620	800	856	608	101
Paid-in capital		110					
Reserves	1,613	159	213	370	103	(4)	12
Retained earnings			104	55	799	(14)	706
Net profit (loss) - Group share	10	44	(38)	177	62	(3)	163
Minority interests	(10)						
Total equity	2,071	493	899	1,402	1,820	587	982
Total liabilities and equity	5,625	588	1,376	1,812	6,288	852	1,602

Income statement:

(In millions of dirhams)	*PRAYON*	*EMA*	*IMA*	*PMP*	*PPL*	*SAEDM*	*Others*
Revenue	7,057	1,158	2,068	1,831	5,728		1,493
Production held as inventory	(14)	8	(19)	16	(255)	1	
Purchases consumed	(4,482)	(1,015)	(1,622)	(1,236)	(4,005)	(1)	(603)
External expenses	(1,267)	(96)	(469)	(298)	(719)	(5)	(125)
Personnel expenses	(1,022)		(6)	(10)	(166)	(5)	(505)
Taxes		(2)	(5)	(1)	(4)		(3)
Exchange gains and losses on operating receivables and payables	135	1	11	6			2
Other operating income and expenses	23		(2)	(120)	(154)		(2)
EBITDA	430	55	**(43)**	189	424	**(10)**	257
Amortization, depreciation and operating provisions	(262)	(4)	(68)	12	(86)		(15)
Operating profit (loss) before exceptional items	169	50	**(111)**	201	338	**(10)**	241
Other non-current operating income and expenses	14	(1)	75	(0)	(7)		(0)
Operating profit (loss)	183	50	**(36)**	200	331	**(10)**	241
Cost of net financial debt	(72)	4	8	(2)	(227)	7	
Exchange gains and losses on financial receivables and payables	(119)				(108)		
Other financial income and expenses	(29)			1	37		1
Financial profit (loss)	**(220)**	4	9	**(1)**	**(298)**	7	-
Share of gains and losses for equity-accounted entities	48						
Profit (loss) before tax	11	54	**(27)**	200	34	**(3)**	241
Corporate tax	(1)	(10)	(11)	(23)	29	(0)	(78)
Net profit (loss) for the period	10	44	**(38)**	177	62	**(3)**	163

*SAEDM (Société d'aménagement et de développement de Mazagan) is an associate.

6.3 SERVICES PROVIDED BY OCP TO JOINT VENTURES

OCP provides its joint ventures with various services as summarized below:

6.3.1 SUPPLY OF PHOSPHATE

Contractual provisions govern OCP's supply of phosphate to its joint ventures. These provisions notably concern the following:

- The quality of the rock, defined according to specifications determined by the joint venture annually
- The price invoiced to the joint venture which corresponds to the average export market prices for the year. The same price determination formula is used for all of the joint ventures,
- And other conditions related to invoicing and payment terms.

In respect of these transactions, OCP recorded phosphate sales to joint ventures in the amount of MAD 2,350 million in 2016, compared to MAD 4,010 million in 2015.

6.3.2 SUPPLY OF SERVICES AND UTILITIES

The supply of services and utilities mainly concerns: the use of the infrastructures at the Jorf Lasfar site, the supply of the liquid sulphur required for industrial operation, the know-how of the OCP personnel, facility and equipment maintenance services, and equipment and vehicle rental services.

OCP also provides the joint ventures with services performed by the various head-office departments. These are governed by unwritten agreements and concern in particular marketing, sales administration, debt recovery, IT services, purchasing assistance and contract negotiation.

6.3.3 LEASES

OCP has signed lease agreements with the local joint ventures for the lease of the land on which the production facilities have been built (in the case of JESA, the lease agreement is for the offices). The rents are payable in advance at the beginning of the year and are revised according to the conditions determined in the agreements.

6.3.4 OTHER SERVICES

The other services provided by OCP to the joint ventures essentially concern social benefits including holiday packages, hotels, children's holiday camps, and training programs.

6.3.5 LOAN AGREEMENT

In 2013, OCP also signed a subordinated loan agreement with Prayon for EUR9 million to meet the company's cash flow requirements. The interest rate applicable is 5.5%. The outstanding loan amounts to 4, 5 million of euros as at 31 December 2016.

Note 7 – Other operating items

7.1 ACCOUNTING TREATMENT OF THE OTHER OPERATING ITEMS

Other operating items primarily include taxes, foreign exchange gains and losses on operating receivables and payables, and other non-current operating income and expenses.
Non-current items are items (income and expenses) that have little predictive value due to their nature, frequency and / or materiality. These income and expense concern:

- Impairment losses on fixed assets (cf. Note 8.1.3 «Impairment tests and impairment losses «), if so, the reversals of impairment losses on intangible assets, being generated by an event that substantially modify the economic viability of the concerned products;
- Gains or losses on business disposals;
- Income of equity revaluation previously held in activities in which the Group takes control;
- Other unusual and materials items which nature is not directly related to current operations.

7.2 ANALYSIS OF OTHER OPERATING ITEMS

(In millions of dirhams)	*FY 2016*	*FY 2015*
Gains and losses on other assets	214	722
Subsidies granted	(799)	(407)
Others	(1,122)	(170)
Other non-current operating income and expenses	**(1,707)**	145

The operating income and expenses decreased by MAD 1.6 billion between December 2015 and December 2016. In June 2016, OCP SA was subject to a tax audit covering the financial years 2012 to 2015 for corporation tax (IS) and personnel income tax (PIT), and for the years 2008 to 2015 for the value added tax (VAT).

This tax control operation led to the signing of a Memorandum of Understanding between the Direction Générale des Impôts and OCP SA for an amount of MAD 950 million of which MAD 550 million were compensated with the VAT files pending repayment. The remaining MAD 400 million was paid on 28 November 2016.

Gains and losses on other assets include the disposal of all remaining shares of BCP which generated a capital gain of MAD 259 million in June 2016.

7.3 OTHER CURRENT ASSETS

(In millions of dirhams)	*31 December 2016* Gross	Depreciation	Net	*31 December 2015* Gross	Depreciation	Net
Receivables from suppliers, advances and payments on account	3,420	(6)	3,414	4,023	(6)	4,016
Personnel	45	(1)	44	74	(28)	47
Social organizations	213		213	145		145
State (excluding corporate income tax)	5,200		5,200	5,802		5,802
Tax receivables	896		896	46		46
Other receivables	957		957	779		779
Total other current assets	10,732	**(7)**	10,725	10,870	**(34)**	10,836

“State (excluding corporate income tax)” mainly includes VAT, the current part of VAT credits, the phosphate royalty, the contribution to social cohesion and other taxes. The non-current part of recoverable VAT credit over a period exceeding one year is recorded in «Other non-current financial assets» (see Note 10.2.2).

The tax receivable maturities as at 31 December 2016 are detailed in the table below:

			Matured		
(In millions of dirhams)	**Total**	**Unmatured**	**<30 days**	**30 - 120 days**	**> 120 days**
State, VAT	2,960	2,943	4		12
VAT credit	2,129	2,051			78
State, other taxes	111	78			33
Total	5,200	5,072	4		123

7.4 OTHER CURRENT LIABILITIES

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Trade receivable credit balances, advances and payments on account	1,061	780
State	1,125	655
Social payables	1,659	1,473
Tax liabilities	21	1,166
Other creditors	1,291	3,339
Total other current liabilities	5,159	7,412

The decrease in “tax liabilities” is due to the regularization of tax payable related to FY2015 for MAD 1.14 billion.
The variation in other creditors is mainly due to the payment of an advance on the RCAR and CNRA invoices for MAD 1.5 billion following the outsourcing of the pension fund in 2014.

Note 8 – Property, plant & equipment and intangible assets

8.1 ACCOUNTING TREATMENT OF ASSETS

8.1.1 PROPERTY, PLANT AND EQUIPMENT

Measurement and useful lives of operating assets
Those responsible for equipment control and maintenance in the Northern, Central and Phosboucrâa axes identify the useful lives of the various categories of assets (main assets and components). These lives correspond to the potential duration of technical utilization. The useful lives and depreciation methods used are examined at the closing date of each period and adjusted prospectively, if necessary.

Property, plant & Equipment (PP&E) are recognized at their historical acquisition cost, production cost or cost of entry to the Group, less depreciation and possible loss of value. Borrowing costs incurred during the construction of a qualified asset are incorporated into the cost of the asset. Costs of day-to-day maintenance are recognized as maintenance costs if the frequency of renewal of this maintenance in terms of volume is annual. The partial or total restoration of one or several components constitutes major maintenance. This is recognized in fixed assets and the net carrying amount is derecognized.

Depreciation

Accordance with the component approach, the Group uses differentiated depreciation periods for each of the significant components of the same asset if the useful life of one of the components is different from the useful life of the principal asset to which it belongs. Depreciation is calculated using the straight-line method on useful lives corresponding to the following technical lives:

Property, plant and equipment	*Duration*
Mining land	10 to 30 years
Buildings	15 to 60 years
Technical installations equipment and tools	5 to 30 years
Transport equipment	5 to 30 years
Furniture, office equipment, fitings	3 to 30 years

Leases

Leases that transfer to the Group substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. All other leases are classified as operating leases.

Finance leases: Finance leases are recognized as assets in the balance sheet, at the fair value of the leased property or, if lower, the present value of the minimum lease payments under the lease. The corresponding debt due to the lessor is recognized as a liability under financial debts in the balance sheet. A leased asset is depreciated over the shorter of the lease term and its useful life (unless the Group is reasonably certain that it will obtain ownership by the end of the lease term).

Operating leases: Payments made under operating leases are expensed in the profit and loss account on a straight-line basis over the duration of the lease contract.

8.1.2 INTANGIBLE ASSETS

Initial and subsequent measurement

Intangible assets are composed of patents, licenses, software, and research and development costs. They are recognized at their acquisition cost less accumulated amortization and impairment losses. Expenses thus recorded in assets include costs for equipment and services, costs of personnel directly assigned to the production and preparation of some software for their use and costs of borrowing if eligibility conditions are satisfied.

Expenses undertaken over the development phase are capitalized when the criteria for recognition of an asset set forth in IAS 38 are met: technical feasibility, intention to complete the asset and to use it or to sell it, probability of future economic benefits, availability of resources, ability to measure the development expenses reliably. Expenses incurred during the research phase are not capitalized, but are expensed.

Amortization

Intangible assets consist mainly of softwares and are amortized on a straight-line basis according to their useful life, which ranges from 1 year to 5 years.

Development expenditures

The development phase starts when the deposit has been analyzed as economically feasible and a decision has been taken to develop it. Only the expenditure incurred before the production phase and for the development of the deposit is capitalized. Development expenditure incurred to maintain the existing production is recognized as expenses.

Goodwill

There is no significant goodwill in the Group.

8.1.3 IMPAIRMENT TESTS AND IMPAIRMENT LOSSES

Valuations used for impairment tests

The assumptions and estimates which are made to determine the recoverable value of goodwill, intangible assets and PP&E relate in particular to the market prospects necessary to evaluate cash flows and the discount rates used. Any modification of these assumptions could have a significant effect on the amount of the recoverable value, and could lead to a modification of the impairment to be recognized.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Given the group's activities, three main cash generating units are identified :

- **Northern Axis (Khouribga – Jorf Lasfar) :** this axis hosts the integrated phosphate chemical processing hub. Phosphate extracted at Khouribga is transported by slurry pipeline to Jorf Lasfar, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the OCP port at Jorf Lasfar.

- **Central Axis (Youssoufia and Benguérir – Safi) :** this axis hosts the integrated phosphate chemical processing hub. The phosphate extracted at Youssoufia and Benguérir is transported by rail to Safi, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the OCP port at Safi.

- **Phosboucraa Axis :** Phosboucraâ extraction site. The phosphate that is extracted there is transported by conveyer to the processing center at Laâyoune, and then exported by sea.

The impairment tests for assets apply the following rules:

- Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year

- PP&E and intangible assets with finite lives are tested for impairment if there is an indication of impairment, as defined hereafter :
  - significant reduction in the market price of the asset ;
  - obsolescence or physical deterioration of the asset ;
  - significant negative changes in the past or planned use of an asset ;
  - significant change in the technological, economic or legal environment ;
  - increase in interest rates or yield which could affect useful value.

An impairment loss is recognized when the recoverable value of a CGU is lower than the net carrying amount of the assets that belong to it. The recoverable amount of a CGU is the higher of its fair value less costs to sell, and its value in use. The value in use is equal to the present value of the future cash flows that it generates, as per the budget and strategic plan approved by the Board of Directors, increased, by its exit value at the end of its expected useful life.

No impairment losses were identified at the close of financial years 2015 and 2016.

8.2 PROPERTY, PLANT AND EQUIPMENT VARIATION

(In millions of dirhams)	*31 December 2015*	*Aquisitions*	*Provisions*	*Reductions / Reversals*	***Reclassification***	*Translation difference*	*Other changes*	*31 December 2016*
Gross amount:								
Land	5,562	144		(3)	265	(1)		5,968
Buildings	28,261	4,216		(262)	4,102	(1)		36,317
Technical installations, equipment and tools	75,111	2,709		(49)	8,747		8	86,526
Transport equipment	871	26		(1)	28			925
Furniture, office equipment and various fittings	1,518	264		(5)	401	(1)	3	2,180
Other property, plant and equipment	15,342	2,062			(10,287)		3	7,119
Property, plant and equipment under construction	1	3,539		(435)	(3,051)		9	64
Total gross amount	126,667	12,961		**(754)**	206	**(4)**	23	139,099
Depreciations:								
Land	(883)		(73)					(955)
Buildings	(9,755)		(566)	9	2			(10,308)
Technical installations, equipment and tools	(30,501)		(3,397)	133	9		(1)	(33,757)
Transport equipment	(600)		(56)	1	1			(655)
Furniture, office equipment and various fittings	(780)		(119)	5	(11)			(905)
Other property, plant and equipment	(166)		(123)		9		(1)	(281)
Impairment losses								
Buildings	(2)		(1)					(3)
Total depreciation and impairment losses	**(42,686)**		**(4,335)**	148	10		**(2)**	**(46,865)**
Net carrying amount	83,981	12,961	**(4,335)**	**(606)**	217	**(3)**	20	92,234

(In millions of dirhams)	*31 December 2014*	*Aquisitions*	*Provisions*	*Reductions / Reversals*	***Reclassification***	*Translation difference*	*Other changes*	*31 December 2015*
Gross amount:								
Land	5,358	373		(1)	(168)	(1)		5,562
Buildings	22,506	2,414		(59)	3,402	(2)		28,261
Technical installations, equipment and tools	66,689	9,540		(108)	(1,009)			75,111
Transport equipment	850	58		(27)	(10)			871
Furniture, office equipment and various fittings	1,395	93		(6)	37	(1)		1,518
Other property, plant and equipment	15,664	227			(550)			15,342
Property, plant and equipment under construction	342	1,438		(5)	(1,771)	(2)		1
Total gross amount	112,805	14,143		**(206)**	**(69)**	**(6)**		126,667
Depreciations:								
Land	(845)		(61)	23				(883)
Buildings	(9,099)		(713)	58				(9,755)
Technical installations, equipment and tools	(28,111)		(2,496)	106				(30,501)
Transport equipment	(547)		(80)	27				(600)
Furniture, office equipment and various fittings	(720)		(67)	6	1			(780)
Other property, plant and equipment	(120)		(46)					(166)
Impairment losses								
Buildings	(2)							(2)
Total depreciation and impairment losses	**(39,445)**		**(3,463)**	221	1			**(42,686)**
Net carrying amount	73,360	14,143	**(3,463)**	14	**(68)**	**(5)**		83,981

The main increase during 2016 concern the following projects:

- Construction of fertilizers production units JFC 2, JFC 3, JFC 4 aimed at increasing the capacity of the OCP Group;
- Development and equipment of a chemical platform via the JPH «Jorf Phosphate Hub» integrated project;
- Construction of a port at Jorf Lasfar;
- Implementation of a washing plant at Beni Amir for the treatment of phosphates and mine equipment in order to increase the extraction capacity;
- Construction of the “Lycée d’Excellence” in Benguérir.

8.3 INTANGIBLE ASSETS VARIATION

(In millions of dirhams)	*31 December 2015*	*Business combinations*	*Aquisitions*	*Provisions*	*Reductions / Reversals*	***Reclassifi-cation***	*Translation difference*	*Other changes*	*31 December 2016*
Gross amount:									
R&D assets	28								28
Patents, trademarks, rights and similar items	62		2			1			65
Licences and software	192		43						235
Other intangible assets	107		255			(206)			157
Total gross amount	390		300			**(205)**			485
Amortization:									
Amortization of R&D assets	(21)			(2)					(23)
Amortization of patents, trademarks, rights and similar items	(42)			(4)					(46)
Amortization of licences and software	(125)			(13)					(138)
Amortizaiton of other intangible assets	(15)			(33)					(48)
Total amortization and impairment losses	**(203)**			**(52)**					**(255)**
Net carrying amount	187		300	**(52)**		**(205)**			230

(In millions of dirhams)	*31 December 2014*	*Business combinations*	*Aquisitions*	*Provisions*	*Reductions / Reversals*	***Reclassifi-cation***	*Translation difference*	*Other changes*	*31 December 2015*
Gross amount:									
R&D assets	27		1						28
Patents, trademarks, rights and similar items	44		18						62
Licences and software	166		24			2			192
Other intangible assets	32		77		(2)				107
Total gross amount	270		120		**(2)**	2	**(0)**		390
Amortization:									
Amortization of R&D assets	(18)			(3)					(21)
Amortization of patents, trademarks, rights and similar items	(40)			(2)					(42)
Amortization of licences and software	(107)			(17)		(1)			(125)
Amortizaiton of other intangible assets	3			(20)	1				(15)
Total amortization and impairment losses	**(161)**			**(42)**	1	**(1)**			**(203)**
Net carrying amount	109		120	**(42)**	**(1)**	1			187

8.4 NET DEPRECIATION AND AMORTIZATION

(In millions of dirhams)	*FY 2016*	*FY 2015*
Net depreciation and amortization	(4,277)	(3,453)

Note 9 – Provisions and contingent liabilities

9.1 ACCOUNTING TREATMENT OF PROVISIONS

The Group recognizes a provision as soon as there is a current, legal or constructive obligation, resulting from a past event, and where it is probable that an outflow of resources will be required to extinguish the obligation.

An obligation is qualified as constructive if the following two conditions are met:

- It has been indicated to other parties, by past practice, published policies or a sufficiently specific current statement, that the entity will accept certain responsibilities ;
- The entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

9.2 NET PROVISIONS

(In millions of dirhams)	*FY 2016*	*FY 2015*
Net provisions	(198)	(387)

9.3. PROVISIONS FOR LIABILITIES AND CHARGES

Current and non-current provisions can be broken down as follows:

(In millions of dirhams)	*31 december 2015*	*Increase*	*Reversals*		*Translation difference*	*Other changes*	*31 december 2016*
			Used	*Unused*			
Non-current provisions	4,926	94	**(103)**			90	5,007
Provisions for employee benefits	4,477	15	(20)			90	4,562
Provisions for environmental risks & for site rehabilitation	211	67					277
Other non-current provisions	239	13	(84)				168
Current provisions	142	54	(8)				188
Total provisions	5,069	148	**(112)**			90	5,194

Measurement of provisions for employee benefits

Provisions for employee benefits cover benefits related to the death benefit, medical plans, fixed retirement allocations and other long-term benefits. Details of these advantages are disclosed in Note 5 «Expenses and employee benefits».

Measurement of provisions for site rehabilitation

The rehabilitation of mining soils is an integral part of the OCP's sustainable development policy. The group anticipates the rehabilitation of the land from the beginning of the extraction. Its approach involves recovering the topsoil and storing it during the operation of the mine. Subsequently, at the end of the operation, these excavated materials are used to create a regular ground and prepare the soil for agricultural use. The Group also takes advantage of the opportunity to initiate agricultural and forestry activities that benefit the communities. This approach is based on the involvement of the local populations as well as the authorities and associations or agencies concerned at the start of the project. In addition to respecting the peculiarities of the soils and the local climatic conditions, the cultures and the introduced activities are done in the light of the local know-how. The former Khouribga mine testifies to the value of this approach. The program that has been deployed has rehabilitated 3,410 hectares to date and allowed the planting of 3.5 million trees, not to mention the rehabilitation of 330 hectares of old mining installations for an investment of MAD 15 million.

9.4. CONTINGENT LIABILITIES

Contingent liabilities concern bank guarantees and other items arising in the ordinary course of the Group's business. OCP Group does not expect these items to result in significant liabilities.

9.5. COMMITMENTS GIVEN

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Letters of credit	1,068	686
Miscellaneous rights and commitments	278	88
Total Commitments given	1,346	774

Note 10 – Financial instruments, net debt and net cost of financing

10.1 CASH MANAGEMENT FINANCIAL ASSETS, FINANCIAL LIABILITIES, NET DEBT AND NET COST OF FINANCING:

10.1.1 DEFINITIONS AND ACCOUNTING TREATMENT

FINANCIAL LIABILITIES

Financial liabilities include financial loans and debts, and bank overdrafts, they are initially recognized at the fair value of the amount required to settle the corresponding obligation, less related costs. Upon subsequent measurement, these financial liabilities are recognized at amortized cost, using the effective interest rate method. The interest calculated at the effective interest rate is recognized in the item "Cost of gross financial debt" over the term of the financial debt.

Financial assets and liabilities are classified as current when expected maturity of the instrument cash flows is less than one year.

CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" include cash as well as short-term investments (with a maturity of less than three months) classified in this category as long as the following criteria are met :

- Highly liquid ;
- Easily convertible to a known cash amount ;
- Subject to a negligible risk of change in value.

Short-term investments primarily correspond to cash unit trusts measured at fair value at the closing date, and changes in fair value are recognized in financial profit or loss.

CASH MANAGEMENT FINANCIAL ASSETS

Cash financial assets mainly correspond to term deposits. These are investments whose maturity and income conditions are determined when they are made and which the Group intends and has the means to keep until their maturity. They are measured at amortized cost. Remuneration of term deposits is recognized in financial profit or loss.

NET DEBT

Net debt is defined as the sum of current and non-current financial debt less cash and cash equivalents and financial cash assets.

COST OF NET FINANCIAL DEBT

The cost of net financial debt includes the cost of gross debt plus financial income from cash investments.

- Cost of gross debt: This includes interest charges calculated using the effective interest rate method, the costs of early repayment of loans or cancelation of lines of credit
- Financial income from cash investments: This is composed of income from investments of cash and cash equivalents as well as financial cash assets.

10.1.2 ANALYSIS OF FINANCIAL DEBT

10.1.2.1. BREAKDOWN OF FINANCIAL DEBT BY TYPE

The table below shows the breakdown of the Group's financial debt by type:

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Current financial debt		
Government credits	65	66
Long-term bank loans, portion due in less than one year	5,336	3,810
Finance leases, portion due in less than one year	96	331
Bank overdrafts	8	176
Accrued interest not yet due	449	415
Total current financial debt	5,954	4,798
Non-current financial debt		
Government credits	493	565
Long-term bank loans, portion due in more than one year	17,012	15,633
Bond issue	30,157	29,607
Finance leases, portion due in more than one year	305	986
Total non-current financial debt	47,967	46,792
Total financial debt	53,921	51,590

10.1.2.2 ANALYSIS OF FINANCIAL DEBTS: RATES AND MATURITIES

The table below shows the breakdown of total loans according to interest rate, maturity date and currency.

(In millions of dirhams)	*Interest rate*	*Weighted average interest rate*	*Weighted average residual maturity*	*31 Dec 2016*
Current financial debt				
Denominated in EUR	1.3% - 2.5%	2.08%		65
Long-term bank loans, portion due in less than one year				
Denominated in USD	1.55% - 4.15%	3.47%		1,490
Denominated in MAD	2.90% - 3.48%	3.18%		3,589
Denominated in EUR	3.05% - 4.47%	3.36%		256
Finance lease debts				
Denominated in MAD	3.5%	3.50%		96
Accrued interest not yet due				449
Bank overdraft				
Denominated in MAD				8
Total current financial debt				5,954
Government credits				
Denominated in EUR	1.3% - 2.5%	2.25%	10	493
Long-term bank loans, portion due in more than one year				
Denominated in EUR	3.05% - 4.47%	3.36%	4	1,667
Denominated in MAD	3 % - 3.48%	3.25%	2	6,598
Denominated in USD	1.55 % - 4.15%	3.54%	5	8,747
Finance lease debts				
Denominated in MAD	3.50%	3.50%	2	305
Bond issue				
Denominated in MAD	4.46%	4.46%		2,000
Denominated in USD	4.50% - 6.88%	5.49%	8	28,157
Total non-current financial debt				47,967
Total financial debt				53,921

10.1.2.3 FINANCIAL DEBT MATURITIES

The table below shows the maturities of financial debt as of 31 December 2016:

(in millions of dirhams)	*<1 yr*	*1-5 yrs*	*> 5 yrs*	*Total at 31 December 2016*
Medium and long-term debt	5,954	17,267	30,700	53,921

10.1.2.4 THE GROUP'S MAIN FINANCING AGREEMENTS

The Group's main financing agreements as of 31 December 2016 are as follows:

- In August 2016, OCP S.A issued a loan of MAD 2 billion with fixed interest rate and fixed maturity date at June 2021 with BMCE. This line's outstanding amounts to MAD 500 million as at 31 December 2016;

- In June 2016, two drawings of MAD 700 million each were carried out on the agreement with SGMA totaling 1.5 billion dirhams on 14 January 2015. The amount outstanding this credit line at 31 December 2016 is MAD 1.125 billion;

- In April 2016, OCP SA signed a loan totaling MAD 1 billion with fixed interest rate and April 2021 maturing with the CDM. The borrowing outstanding is MAD 900 million at 31 December 2016;

- In 2016, four drawings for a total of $ 46.3 million were made on the IDB agreement totaling $ 150 million, signed on 27 February 2013, for the financing of the project of extension and rehabilitation of the port of Jorf Lasfar. The amount outstanding on this credit line at 31 December 2016 is $ 138 million;

- In 2016, two drawings of MAD 675 million were made on the BMCI agreement totaling MAD 1.5 billion, signed on 16 January 2015 with fixed interest rate and January 2021 maturing. The amount outstanding on this credit line at 31 December 2016 is MAD 1.485 billion;

- In August 2015, a drawing of USD178.8 million was made on the KFW agreement signed in September 2013 for an amount of USD271 million. This concerns the financing of the Water and adaptations Program MEA and DAOUI. The borrowing outstanding is USD 254 million at 31 December 2016;

- In July 2016, a drawing of USD44.4 million was made on the European Investment Bank agreement for an overall amount of EUR200 million. This agreement was signed in December 2011 and concerns the financing of the MEA and EL Hallassa washing plants and the Jorf Lasfar sulphur lines. The borrowing outstanding is USD221 million at 31 December 2016.

10.1.3 ANALYSIS OF FINANCIAL ASSETS

10.1.3.1 CASH AND CASH EQUIVALENT

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Cash	5,697	1,387
Cash equivalents	5,319	7,859
Total cash and cash equivalents	11,017	9,246
Bank (credit balances)	8	176
Cash and cash equivalents in the consolidated statement of Cash Flows	11,009	9,070

10.1.3.2 CASH MANAGEMENT FINANCIAL ASSETS

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Cash financial assets	4,885	7,097

Cash management financial assets include mainly term deposits with a maturity more than three months contracted mostly by OCP SA for MAD 4.2 billion as at 31 December 2016 against MAD 7.1 billion as at 31 December 2015.

10.1.3.3 MATURITIES AND FAIR VALUE OF FINANCIAL CASH ASSETS

Financial cash assets maturities

The investment portfolio must remain sufficiently liquid to respond to the financing needs generated by the Group's operations and investment. As such, assets portfolio is composed of a very short-term and liquid instruments providing for daily operating needs, and short-term instruments in order to improve yields and be in line with targets.

(In millions of dirhams)	*0-1 month*	*1-6 months*	*6-12 months*	*>1 year*	*Total*
UCITS	5,319				5,319
Term deposit	1,522	3,210	153		4,886
Total	6,841	3,210	153		10,205

Fair value of financial cash assets

(In millions of dirhams)	*Outstanding*	*Return*	*Fair value*
Money market funds	5,319		5,319
Term deposit	4,885	3.36%	4,885
Total	10,205		10,205

10.1.4 ANALYSIS OF NET DEBT

10.1.4.1 NET DEBT BY CATEGORY

(In millions of dirhams)		*31 December 2016*	*31 December 2015*
Liabilities measured at amortized cost	Financial credits	22,738	19,567
	Bonds	30,157	29,607
	Other loans and assimilated debts	617	923
	Financial lease debt	402	1,317
	Long-term financial debt	53,914	51,414
	Bank overdrafts	8	176
	Gross financial debt	53,921	51,590
Assets measured at fair value through profit or loss		11,017	9,246
	Cash equivalents	5,319	7,859
	Cash	5,697	1,387
Assets measured at amortized cost			
	Financial assets for cash management	4,885	7,097
	Financial assets	15,902	16,343
	Net financial debt	38,019	35,247

10.1.4.2 RECONCILIATION OF NET DEBT ACCOUNTS

The reconciliation with balance sheet items is shown below:

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Current loans and financial debt	6,106	4,798
Non-current loans and financial debt	47,815	46,792
Gross financial debt	53,921	51,590
Financial assets for cash management	(4,885)	(7,097)
Cash and cash equivalents	(11,017)	(9,246)
Net financial debt	38,019	35,247

10.1.5 COST OF NET DEBT :

The cost of net debt can be broken down as follows:

(In millions of dirhams)	*FY 2016*	*FY 2015*
Interest expenses	(714)	(591)
Cost of gross financial debt	**(714)**	**(591)**
Financial income from cash investments	101	134
Other financial income	210	95
Financial income from cash investments	311	228
Cost of net financial debt	**(402)**	**(363)**

10.2 OTHER FINANCIAL ASSETS

10.2.1 Definitions and accounting treatment:

Other financial assets

Other financial assets are classified as « Available-for-sale» and primarily include non-consolidated investment shares. They are valued at fair value, Subsequent changes in fair value are recognized directly in “Other items of comprehensive income”», except in the case of significant or prolonged unrealized loss.

The Group considers that a significant loss is assumed if the asset available for sale has lost 20 % of its value and that loss is prolonged if it lasts for more than 6 months

Fair value corresponds to the market price for quoted shares or to an estimate of fair value for non-quoted shares, determined according to the most appropriate financial criteria for the particular situation of each shareholding. The Group uses historic cost less any possible depreciation to value its shares that are not quoted on an active market and whose fair value cannot be measured reliably.

Other financial income and expenses

Other financial income and expenses primarily include income from loans and receivables calculated using the effective interest rate method, dividends from non-consolidated entities, exchange gains and losses on financing operations, accretion of provisions and of receivables and payables, impairment losses and income relating to financial assets.

10.2.2 NON-CURRENT FINANCIAL ASSETS

(In millions of dirhams)	*31 December 2016*				*31 December 2015*			
	Gross	*Revaluation*	*Depreciation*	*Net*	*Gross*	*Revaluation*	*Depreciation*	*Net*
Available-for-sale financial assets	606		(35)	571	979	243	(7)	1,215
Financial assets measured at fair value through profit or loss	27			27	17			17
Receivables from fixed asset disposals	91		(5)	87	144		(5)	139
VAT credit	12,526			12,526	9,699			9,699
Other financial receivables	133		(1)	133	159		(3)	156
Total non-current financial assets	13,384		**(40)**	13,344	10,998	243	**(14)**	11,227

In December 2016, OCP Group discounted the amount of the VAT credit over a seven-year payment period. The impact of this discounting is a loss of MAD 174 million recorded in other financial expenses (cf.Note 10.2.3).

Available-for-sale financial assets

(In millions of dirhams)	*Listed securities*	*Unlisted securities*	*TOTAL*
At 31 Dec 2015	518	697	1,215
Acquisitions for the period(1)		15	15
Disposals for the period (2)	(534)		**(534)**
Change in fair value recognized in equity	16		16
Impairment losses		(28)	(28)
Translation differences		(6)	(6)
Changes in scope and others (3)		(106)	(106)
At 31 Dec 2016		572	571

(1) This mainly concern the creation of two entities OCP India for MAD 3.2milion and OCP Research LLC FOR MAD 2.6 million.
(2) It concerns the disposal of the shares held in BCP.
(3) Due to the elimination of investments in Mohammed VI Polytechnic University UM6P following its inclusion in the consolidation scope in 2016.

10.2.3 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses are as follows:

(In millions of dirhams)	*FY 2016*	*FY 2015*
Income from assets held for sale	10	38
Exchange income from financing operations	(579)	(2,188)
Revenue from financial receivables	6	6
Net discount of VAT credit	(177)	(1,030)
Other financial income and expenses	**(740)**	**(3,174)**

Other financial income and expenses increased by MAD 2.4 billion compared to the previous year. This increase is explained by the impact of the variation in exchange rates on borrowings denominated in dollars. Indeed, the dollar recorded for 2015 a large increase from 8.40 at December 2014 to 9.76 at December 2015. This value remained almost stable between December 2015 and December 2016 (9.80 at December 2016).

10.3 WEIGHT OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

10.3.1 WEIGHT OF FINANCIAL INSTRUMENTS

In accordance with IFRS 7, "Financial instruments: Disclosures", fair value measurements must be classed according to a hierarchy based on the input used to measure the fair value of the instrument which includes the following three levels:

- Level 1: the use of quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2: the use of quoted market prices in active markets for similar assets or liabilities or measurement techniques where the relevant inputs are based on observable market data;

- Level 3: the use of measurement techniques where the relevant inputs are not all based on observable market data.

The fair value of the main financial assets and liabilities in the Group's balance sheet is determined according to the principles described in the table below:

Financial instrument	*Valuation principle*	*Principle for the determination of fair value*			
			Market data		
		Valuation model	*Exchange rate*	*Interest rate*	*Volatility*
Financial assets held for sale (listed equity securities)	Fair value	Stock market price	N/A		
Financial assets held for sale (unlisted equity securities)	Fair value				
Long-term loans and advances	Amortized cost	The amortized cost of long-term loans and advances does not show any significant variation at year-end			
Money market fund units	Fair value	Net asset value	N/A		
Negotiable debt securities, treasury bills, demand deposits and term deposits	Amortized cost	For instruments with a maturity of less than 3 months, the amortized cost constitutes an acceptable approximation of the fair value stated in the notes to the consolidated accounts.			
Financial debts	Amortized cost	The market value used for debts with an initial maturity of less than one year (including those due on demand), or the terms of which refer to a variable rate, as well as for most regulated savings products, is the value recognized. Flows of fixed-rate security debts and loans are discounted according to the value of the fixed market rates at the closing date, for a debt with the same residual maturity.			

(in millions of dirhams)			*At 31 December 2016*		
Balance sheet captions and instrument classes	Carrying value	Fair value	Level 1 : quoted prices and available funds	Level 2 : internal model with observable inputs	Level 3 : internal model with unobservable inputs
Cash and cash equivalents	11,017	11,017	11,017		
Cash financial assets	4,885	4,885		4,885	
Available-for-sale financial assets	571	571			571
Financial assets measured at fair value through	27	27			27
Other receivables*	12,526	12,526			12,526
Total financial assets	29,027	29,027	11,017	4,885	13,125
Current loans and financial debts	5,954	5,954		5,954	
Non-current loans and financial debts	47,967	48,461	28,719	19,742	
Total financial liabilities	53,921	54,415	28,719	25,696	

(*) Represents the VAT credit reclassified as non-current financial assets repayable on a new 7-year timeframe

(in millions of dirhams)			*At 31 December 2015*		
Balance sheet captions and instrument classes	Carrying value	Fair value	Level 1 : quoted prices and available funds	Level 2 : internal model with observable inputs	Level 3 : internal model with unobservable inputs
Cash and cash equivalents	9,246	9,246	7,616	1,630	
Cash financial assets	7,097	7,097		7,097	
Available-for-sale financial assets	1,215	1,215	518		697
Financial assets measured at fair value through profit or loss	17	17			17
Other receivables*	9,699	9,699			9,699
Total financial assets	27,275	27,275	8,134	8,727	10,414
Current loans and financial debts	4,798	4,798		4,798	
Non-current loans and financial debts	46,792	48,287	27,627	20,660	
Total financial liabilities	51,590	53,085	27,627	25,458	

(*) Represents the VAT credit reclassified as non-current financial assets repayable on a new 7-year timeframe.

10.3.2 RISK MANAGEMENT

10.3.2.1 CERTAIN CONTRACTUAL PROVISIONS AND TERMS OF THE DEBT

The negotiations undertaken with the international financial institutions as from July 2016 led to the consideration of the Group's rating level, which is now reflected in a single commitment to have at least an "investment grade" rating «. This commitment is to be respected for 6 institutions: KFW, European Investment Bank, French Development Agency, Islamic Development Bank, African Development Bank, US EXIM.

10.3.2.2 CASH RESERVES

To meet its commitments, OCP Group also has potential cash reserves in the form of overdraft facilities and Documentary Credits, accompanied by guarantees granted to Group entities. These reserves represent a total of MAD 6 billion, activated without prior authorization in case of Short position on the Cash.

Moreover, the multi entities cash pooling mechanism implemented in 2015 allows a particular operational flexibility in managing cash and achieving loans- borrowings between centralized / centralizing entities. This mechanism is based on the indirect ZBA (Zero Balancing Account) mode that allows viewing on a single account overall cash position of the entities that are included in the cash pooling.

The Group also has the ability to turn with the Moroccan partner banks, the discount mechanism without recourse of trade receivables held by OCP on some of its customers.

10.3.2.3 COMMITMENTS RECEIVED

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Unused borrowings	5,480	8,239
Other commitments received for contracts	8,421	8,436
Loans guaranteed by the State	558	631
Total Commitments received	14,459	17,306

“Other commitments received for contracts” concern commitments received from suppliers relating to advances paid within the context of the industrial programs undertaken by the Group. The analysis of the loans guaranteed by the state are presented in Note 13 «Relations with the State».

10.3.2.4 COUNTERPARTY RISK MANAGEMENT

Capital security is a fundamental principle of the Group’s investment policy. Cash surpluses are invested at an accepted level of risk, with high-quality counterparties

In this respect, the Trading Room acts in compliance with the following rules and procedures:

Pre-qualifying counterparties:
Pre-qualifying bank counterparties, issuers of debt, management companies and mutual funds with which the OCP Group is exposed directly or indirectly.

The Trading Room is authorized to deal with bank counterparties if the latter have a rating that is higher than the minimum rating required of three notches below the S&P and Fitch ratings for the Moroccan debt.

As for Debt issuers, the Trading Room is authorized to deal with debt issuers if the following conditions are met:

- State Treasury issue: treasury bills with a residual maturity less than or equal to two years. Derogations may be granted by the Management Committee for any other maturities on a case-by-case basis;
- Private debt issue other than with bank counterparties: any subscription must be validated by the Management Committee on a case-by-case basis

Finally, the prequalification of UCITS consists of the following two stages:

- Choice of the management company: the management company must have a minimum management rating of M2 according to the Fitch scale ;
- Choice of the UCITS: the investment mainly concerns low-sensitivity, fairly liquid UCITS in order to allow the Group to manage its liquidity under the best conditions.

Diversifying the counterparties
Diversifying the counterparties to which OCP Group is exposed in accordance with prudential rules defined internally.

Fixing limits by type of instruments held by counterparties
Outstanding direct investment with a bank counterparty is classified by instrument type and is limited according to the credit standard of the said counterparty. These limits fix:

- The maximum outstanding amount authorized with a counterparty as a percentage of equity.
- The outstanding amount with a counterparty by instrument type which must not exceed the Group’s total outstanding amount invested directly in this type of instrument.
- The outstanding amount with a counterparty by instrument type which must not exceed a percentage of the counterparty’s total outstanding amount in this type of instrument.

Otherwise, the outstanding amount with a UCITS is limited according to the credit rating of the management company and of the said UCITS. These limits fix the maximum outstanding amount authorized with a UCITS as a percentage of net assets and the maximum outstanding amount authorized with the management company.

Any exception to the rules above is subject to validation by the Executive Committee.

10.3.2.5 LIQUIDITY RISK

The investment portfolio must remain sufficiently liquid to respond to the financing needs generated by the Group's operations and investment. To this end, it must be composed of liquid, flexible and available instruments.
The breakdown of assets invested between the investment portfolios is based on cash flow forecasts and is as follows:

- Very short-term, liquid instruments, providing for daily operating needs.
- Short-term instruments, in conformity with counterparty risk management, generating a yield which is in line with the yield objectives of the investment policy.

Note 11 – Corporate Income taxes

11.1 ACCOUNTING TREATMENT OF INCOME TAXES

Income taxes include the current tax expense (or income) and the deferred tax expense (or income). Tax is recognized in profit or loss, unless it relates to items that are recognized directly in equity, in which case it is recognized in equity. The tax rates used are those that have been enacted or substantially enacted as of the closing date.

Deferred tax is determined according to the balance sheet approach. The Group applies the liability method. OCP Group recognizes deferred tax for all temporary differences that exist between the tax bases and the carrying amounts of the assets and liabilities in the balance sheet except for goodwill.

Tax assets relating to temporary differences, net of chargeable deferred tax liabilities, and loss carry-forwards are only recognized if it is probable that a likely future profit, determined with sufficient precision, will be generated by the tax entity.
A Group entity shall offset current tax assets and current tax liabilities if, and only if, the entity:

- has a legally enforceable right to set off the recognized amounts; and
- Intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities, whatever their maturity, must be offset when they are levied by the same tax authority and concern a single tax entity that has the right to set off current tax assets against current tax liabilities.

11.2 ANALYSIS OF TAX EXPENSE

(In millions of dirhams)	*FY 2016*	*FY 2015*
Current tax expense/current tax income	(1,017)	(2,458)
Deferred tax expense/deferred tax income	(656)	40
Corporate income tax	**(1,673)**	**(2,418)**

11.3 RECONCILIATION BETWEEN THE TOTAL TAX EXPENSE AND THE THEORETICAL TAX EXPENSE

(In millions of dirhams)	*FY 2016*	*FY 2015*
+Net income - Group share	3,779	8,011
+Net income - Minorities' share	1	
-Share of profit (loss) of equity-accounted companies	(123)	(358)
+/-Tax for the period	1,673	2,418
Consolidated accounting income before tax	5,329	10,070
+/- Permanent differences*	1,568	964
= Consolidated taxable income	6,898	11,034
Theorical tax rate	20.23%	20.23%
=Theoretical tax **	**(1,395)**	**(2,232)**
Tax losses	(75)	(16)
Difference in tax rate in relation to OCP S.A	(206)	(66)
Prior years' income taxes		(54)
Other items	4	(50)
= Corporate income tax	**(1,673)**	**(2,418)**
including		
Current tax	*(1,017)*	*(2,458)*
Deferred tax	*(656)*	*40*

(*)The main permanent differences are the previous exercises' expenses, tax control expenses subsidies and non-deductible donations and income equity.
(**)The theoretical tax rate takes into account local sales taxed at 30% and export sales realized in foreign currency taxed at 17.5%

11.4 DEFERRED TAX ASSETS AND LIABILITIES

The trend in deferred tax assets and liabilities is as follows:

(In millions of dirhams)	*31 December 2015*	*Recorded in income*	*Recorded in other comprehensive income*	*31 December 2016*
Gross deferred tax assets	195	(233)	49	12
Unrecognized deferred tax assets				
Net deferred tax assets	195	**(233)**	49	12
Deferred tax liabilities	45	417		462

The breakdown by type of deferred tax asset and liability is as follows:

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Temporary differences	430	149
Eliminations of intercompany transactions	477	508
Intangible assets	(40)	
Tangible assets	15	23
Financial assets available for sale	49	
Other asset items	(50)	67
Provisions for employee benefits	1,617	1,617
Other provisions	664	664
Other liabilities items	4	
Tax loss carryforwards	61	136
Tax credit		13
Others	8	
Offsetting	(3,225)	(2,982)
Total deferred tax assets	12	195

(In millions of dirhams)	*31 December 2016*	*31 December 2015*
Temporary differences	3	3
Intangible assets	72	72
Tangible assets	2,941	2,251
Financial assets available for sale	49	49
Inventories	399	399
Other assets items	39	
Other provisions	(52)	
Tax loss carryforwards		9
Other	235	243
Offsetting	(3,225)	(2,982)
Total deferred tax liabilities	462	45

Note 12 – Issued capital, perpetual subordinated debt, dividends and earnings per share

12.1 ISSUED CAPITAL

As at 31 December 2016, the share capital amounts to MAD 8,288 million. It is composed of 82,875,000 shares with a nominal value of 100 dirhams. 729,300 OCP shares are held by its subsidiary SADV.

(In number of shares)	*Ordinary shares*
Outstanding at 1 January 2016	82,875,000
Issues of shares for cash in FY 2016	-
Outstanding at 31 December 2016	82,875,000
Nominal value	**100 Dirhams**

12.2 PERPETUAL SUBORDINATED DEBT

On December 16, 2016 OCP Group issued a perpetual subordinated bond with options for prepayment and deferred payment of interest, of 5 billion dirhams. This public offering is made by issuing 50,000 perpetual subordinated bonds with a nominal value of 100 000 dirhams each. This transaction enables OCP Group to diversify its sources of financing within the framework of its investment plan to 2025 and is part of the strategy to consolidate its position as world leader. This operation also strengthens the Group's financial structure and supports its transformation while strengthening its credit ratios.

The Group issued :

- MAD 1,683.3 million to 4.07% of yield on unlisted tranche A/ reviewable 10 years and listed tranche B/ reviewable 10 years.
- MAD 3,021.1 million to 3.28% of yield on unlisted tranche C/ reviewable 52 weeks.
- MAD 295.6 million to 3.67% of yield on unlisted tranche E/ reviewable 5 years.

This instrument includes the following features:

- Bonds are subordinated securities. The principal and interest related to the bonds constitute unconditional direct commitments without security and subordinate rank.

- The Coupon Amounts payable will be paid annually on each anniversary of the issue date of December 23 of each year or the next following Business Day, if the latter is not a Business Day.

- At the discretion of the issuer, the payment of the coupon payable may be deferred subject to notification of the shareholders.

- If the issuer, at its discretion, has elected to defer the coupon payment payable it is no longer entitled to:

- Declare or pay dividends on shares of the issuer for the current year, pay interest on a tranche of the same rank as the bonds
- Refund, cancel, buy or redeem securities equal to the bonds, or common shares.

- The issue is not rated

In accordance with IAS 32.11 and considering its characteristics, this instrument is accounted for in equity.

The coupon cost attributable to holders of super-subordinated securities amounted to MAD 3.96 million for financial year 2016.

12.3 DIVIDENDS

The MAD 2,478 million in dividends paid in respect of FY 2015 correspond to a net dividend per share of MAD 30.17.

	31 December 2016	31 December 2015
Amount of dividends (in millions of dirhams)	2,478	1,240
Dividend per share (in dirhams)	30.17	15.09

12.4 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent company, OCP S.A, by the weighted average number of ordinary shares outstanding excluding treasury stock.

	FY 2016	FY 2015
Adjusted net profit Group share (in millions of dirhams)*	**3,375**	**8,011**
Average number of shares in circulation as at 31 December	82,875,000	82,875,000
Average number of own shares in circulation during the period	729,300	729,300
Number of shares used for the calculation of income	**82,145,700**	**82,145,700**
Basic and diluted net earnings per share (in dirhams)	**45.96**	**97.52**

*In accordance with IAS 33.19 and 12, adjusted net profit includes the cost of the coupon attributable to holders of subordinated shares issued by the OCP Group (MAD -3.96 million).

Note 13 – Relations with the State

The Moroccan State is the majority shareholder of OCP with a 94.12 % stake. In this respect, the State receives annual dividends in accordance with the company's dividend distribution policy. The dividends to be paid are proposed by the Board of Directors to the General Meeting of Shareholders. Their amount depends on several parameters, in particular the profits made, cash available and the company's financial structure, as well as other factors that the Board of Directors may consider to be relevant.

In 2016, the Moroccan State received dividends net of taxes amounting to MAD2.478 billion in respect of the distributable profit for financial year 2015.

OCP has been a Société Anonyme (public limited liability company) since March 2008. Prior to that date, OCP, as a public enterprise, benefited from the State guarantee for loans taken out with foreign organizations.

Objet de l'emprunt	*Loan currency*	*Date of loan*	*Amount in millions of dirhams as at 31 December 2016*	*Amount in millions of dirhams as at 31 December 2015*
AFD outstanding loans consolidation	EUR	2005	364	397
Sidi Chennane mining operations	EUR	2002	180	215
Renewal of the sulphur unit circulation tank and supply circuit	EUR	2007	8	9
Renewal of three absorption towers	EUR	2003	2	6
Acquisition of two hydraulic excavators	EUR	2001	5	4
TOTAL	**EUR**		558	631

In the same way as all companies resident in Morocco, OCP Group is subject to the tax legislation in force, which requires the payment of duties, taxes and levies to the Moroccan State.

The following table shows the transactions performed with the State or with State-controlled enterprises for financial years 2015 and 2016:

(In millions of dirhams)	*FY 2016*		*FY 2015*	
	State and State-controlled enterprises	*BCP*	*State and State-controlled enterprises*	*BCP*
Interest on investments	62	25	51	43
Utility costs	1,414		1,136	
Other operating expenses	213		173	
Interest on loans		45		40
Social charges	449		482	
Transport expenses ONCF	1,171		1,525	
Subscription ONCF / lump-sum contributions	400			
Assets and inventories purchases	108		6	
Dividends received		10		38

(In millions of dirhams)	*31 December 2016*		*31 December 2015*	
	State and State-controlled enterprises	*BCP*	*State and State-controlled enterprises*	*BCP*
Trade receivables				
Trade payables	748		590	
Other receivables	929		39	
Cash and cash equivalents	979	1,515	639	241
Investments	1,000		2,500	1,500
Loans		2,000		1,000

Statutory auditors' opinion on the consolidated financial information

EY
Building a better working world

Deloitte.

This is a free translation into English of the independent auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

OCP S.A.

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

EY
Building a better working world

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To the shareholders of
OCP S.A.
2, Rue Al Abtal - Hay Erraha - Immeuble OCP
Casablanca

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

We have audited the accompanying consolidated financial statements of OCP S.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. These consolidated financial statements show an amount of consolidated equity of MMAD 71,805 including a consolidated net profit of MMAD 3,780.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Casablanca, 22nd March, 2017

The independent auditors

ERNST & YOUNG	**DELOITTE AUDIT**
French original signed by **Bachir TAZI** **Partner**	**French original signed by** **Fawzi BRITEL** **Partner**

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Exhibit II-50

To look up the equity risk premium for a country, use this worksheet

Country	Morocco	
Moody's sovereign rating	Ba1	Local currency
S&P sovereign rating	BBB-	Local currency
CDS spread	1.95%	
Excess CDS spread (over US CDS)	1.67%	
Country Default Spread (based on ra	2.89%	
Country Risk Premium (Rating)	3.53%	
Equity Risk Premium (Rating)	8.90%	
Country Risk Premium (CDS)	2.04%	
Equity Risk Premium (CDS)	7.41%	

If you cannot find a country on this list, it is because that country does not have a sovereign rating or a sovereign CDS spread. Try the PRS worksheet in this spreadsheet for an alternate estimate.

To look up the equity risk premium for a region, use this worksheet

Region	Africa
Country Risk Premium (simple avera	7.25%
Total Equity Risk Premium (simple av	12.62%
Country Risk Premium (GDP weighte	7.02%
Total Equity Risk Premium (GDP wei	12.39%

To construct your own regional ERP, use the data on GDP and ERP for countries in the Regional Weighted Averages Worksheet

For countries not on the list above, try this frontier market list

Country	Sudan
PRS Score	43.30
ERP based on PRS Score	27.36%

Exhibit II-51

Fitch Ratings revised outlook on OCP SA to negative

December 20, 2016 | CBonds

Fitch Ratings affirmed the "BBB-" LT Int. Scale (foreign curr.) credit rating of OCP SA on December 14, 2016. At the same time the rating agency revised outlook to negative from stable.

Company: OCP SA

Full company name	**Office Cherifien des Phosphates SA**
Country of risk	**Morocco**
Country of registration	**France**
Industry	**Chemical and petrochemical industry**

Share:

Similar news:

- Fitch Ratings downgrades LT Int. Scale (foreign curr.) credit rating of OCP SA to "BB+"; outlook negative
- Fitch Ratings affirms OCP SA at "BBB-" (LT Int. Scale (foreign curr.) credit rating); outlook stable
- S&P Global Ratings revised outlook on OCP SA to stable and affirmed at "BBB-" (Local Currency LT) credit rating
- S&P Global Ratings revised outlook on OCP SA to stable and affirmed at "BBB-" (Foreign Currency LT) credit rating
- Fitch Ratings revised outlook on OCP SA to stable and affirmed at "BBB-" (LT Int. Scale (foreign curr.)) credit rating

Exhibit II-52

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

Contents

Key figures

(In millions of dirhams)	Note	FY 2018	FY 2017
Revenue	4.1.1.2	**55,906**	**48,503**
Profit (loss) from joint ventures	6.1	399	337
EBITDA		**17,076**	**12,722**
Operating profit (loss) before exceptional items		11,256	6,572
Cost of net financial debt	10.1.5	(1,567)	(1,168)
Net profit (loss) - Group share		**5,425**	**4,567**
Consolidated equity - Group share		78,859	72,411
Net financial debt		35,193	43,866
Net operating investments		10,801	9,045
Basic and diluted earnings per share (in dirhams)	12.4	**62.04**	**53.41**
Dividend per share (in dirhams)		**30.17**	**20.22**

Significant events of the period

Business

During 2018, OCP realized major achievements in its industrial development program, among which:

• Completion and commisionning of the fourth fertilizer production unit JFC IV. This unit, with a fertilizer production capacity of 1 million tonnes per year, brings the total capacity of the Group to 12 million tonnes per year.

• Extension of the Merah washing plant in Khouribga for the treatment of high, medium and low grade. This extension offers an additional capacity of 3 million tonnes per year and brings the overall capacity of the laundromat to 12 million tonnes per year.

• Completion of the adaptation and revamping program of phosphoric unit, with the commissioning of the last two phosphoric lines.

• New infrastructure at the port of Jorf Lasfar with the commissioning of solid sulfur unloading gantry cranes and acid.

Funding

• On 8 October 2018, an agreement was concluded between the Moroccan State and a consortium of Moroccan banks attended by OCP Group for the reimbursement, by way of non-recourse factoring, of the VAT credit arrears amounting to 20.5 billion dirhams. The total cost of the operation was 4.2 billion dirhams and will be payable on a 9-year schedule. The terms of this transaction are detailed in note «10.2.2 Non-current financial assets».

• In May 2018, OCP issued its second perpetual subordinated bond, following the one issued in December 2016, with early redemption and deferred payment options in the amount of 5 billion dirhams. This public offering involves the issue of 50,000 bonds with a par value of 100,000 dirhams each. This transaction will continue to strengthen the group’s financial structure as well as its credit ratios while supporting its transformation.

Subsequent events

No significant events after the reporting period have been noted.

On January 1st , 2018, the Group applied IFRS 15 «Revenue from Contracts with Customers» and IFRS 9 «Financial Instruments» using the «Simplified Retrospective» method by recording the cumulative effects of the first opening equity at January 1st , 2018. As a result, the 2017 data, presented for comparative purposes, have not been adjusted. The impacts of this first application are presented in «Note1.Accounting principles».

Consolidated Statement of Profit and Loss

(In millions of dirhams)	Note	FY 2018	FY 2017
Revenue	**4.1.1.2**	**55,906**	**48,503**
Production held as inventory		1,728	201
Purchases consumed	4.2.2	(22,398)	(18,786)
External expenses	4.2.2	(9,780)	(8,534)
Personnel expenses	5.1	(8,481)	(8,478)
Taxes		(288)	(227)
Profit (loss) from joint ventures	6.1	399	337
Exchange gains and losses on operating receivables and payables		(60)	(266)
Other operating income and expenses		49	(27)
EBITDA		**17,076**	**12,722**
Amortization, depreciation and operating provisions	8.4 - 9.2	(5,820)	(6,150)
Operating profit (loss) before exceptional items		**11,256**	**6,572**
Other non-recurring operating income and expenses	7.2	(1,250)	(1,107)
Operating profit (loss)		**10,006**	**5,465**
Cost of gross financial debt		(1,865)	(1,388)
Financial income from cash investments		299	220
Cost of net financial debt	10.1.5	**(1,567)**	**(1,168)**
Exchange gains and losses on financial receivables and payables		(412)	2,901
Other financial income and expenses		(1,325)	(880)
Financial profit (loss)		**(3,304)**	**853**
Profit (loss) before tax		**6,702**	**6,318**
Corporate Income Tax	11.2 - 11.3	(1,100)	(1,629)
Net profit (loss) for the period		**5,602**	**4,689**
Net profit (loss) - Group share		**5,425**	**4,567**
Net profit (loss) - Non-controlling interests		178	122
Basic and diluted earnings per share in dirhams	12.4	**62.04**	**53.41**

Consolidated Statement of Comprehensive Income

(In millions of dirhams)	*FY 2018*	*FY 2017*
Net profit (loss) for the period	**5,602**	**4,689**
Actuarial gains or losses	(377)	130
Taxes	71	(24)
Financial assets at fair value by OCI	(521)	
Items that will not be reclassified to profit or loss	**(827)**	**107**
Translation differences	(13)	(73)
Share of gains and losses recognized in equity for equity-accounted (CFH variation)*	(321)	
Taxes**	68	
Share of gains and losses recognized in equity on joint ventures	13	(13)
Items that may be reclassified to profit or loss	**(253)**	**(86)**
Income and expenses for the period, recognized directly in equity	**(1,080)**	**20**
Consolidated comprehensive income	**4,522**	**4,710**
Including Group share	*4,344*	*4,588*
Including non-controlling interests' share	*178*	*122*

(*) Changes in fair value of cash flow hedges are recognized in equity for the effective portion of the hedge. Accumulated gains and losses in equity are reported in the income statement when the hedged cash flow impacts the result.

(**) Tax effects related to changes in the fair value of cash flow hedging instruments (effective portion) and hedging costs.

Consolidated Statement of Financial Position

(In millions of dirhams)	*Note*	*31 December 2018*	*31 December 2017*
ASSETS			
Current assets			
Cash and cash equivalents	10.1.3.1	17,141	8,419
Cash financial assets		5,654	2,709
Inventories	4.2.4	13,213	10,343
Trade receivables	4.1.2.2	10,279	6,036
Other current assets	7.3	9,383	10,204
Total current assets		**55,669**	**37,711**
Non-current assets			
Non-current financial assets	10.2.1	872	15,215
Investments in equity-accounted companies	6.1	3,802	3,726
Deferred tax assets		16	16
Property, plant and equipment	8.1	101,589	97,015
Intangible assets	8.3	510	321
Total non-current assets		**106,788**	**116,293**
Total Assets		**162,458**	**154,005**

(In millions of dirhams)	*Note*	*31 December 2018*	*31 December 2017*
LIABILITIES			
Current liabilities			
Current loans and financial debts		6,736	7,935
Financial debts resulting from Murabaha		387	818
Current provisions	9.3	328	263
Trade payables		12,230	13,706
Other current liabilities	7.4	5,257	5,268
Total current liabilities		**24,939**	**27,991**
Non-current liabilities			
Non-current loans and financial debts		50,864	46,244
Non-current provisions for employee benefits	9.2	4,616	4,307
Other non-current provisions	9.2	757	521
Deferred tax liabilities		993	1,112
Total non-current liabilities		**57,230**	**52,184**
Equity - Group share			
Issued capital	12.1	8,287	8,287
Paid-in capital		18,698	18,698
Consolidated reserves - Group share		46,450	40,858
Net profit (loss) - Group share		5,424	4,567
Equity - Group share		**78,859**	**72,411**
Non-controlling interests		1,430	1,419
Total equity		**80,290**	**73,830**
Total liabilities and equity		**162,458**	**154,005**

Consolidated Statement of Changes in Equity

(In millions of dirhams)	*Issued capital*	*Paid-in capital*	*Actuarial gains or losses*	*Hybrid securities*	*Other consolidated reserves*
Equity as at 1st January 2017	**8,287**	**18,698**	**(2,477)**	**4,996**	**37,197**
Allocation of profit (loss) for FY 2017					3,779
Consolidated comprehensive income for FY 2017			**107**		
Insuance of hybrid securities					
Hybrid securities coupons'				(179)	
Change in scope					
Dividends paid					(1,661)
Others					(672)
Equity as at 31 December 2017	**8,287**	**18,698**	**(2,370)**	**4,817**	**38,642**
IFRS 9 impact					(29)
Equity as at 1st January 2018	**8,287**	**18,698**	**(2,370)**	**4,817**	**38,613**
Allocation of profit (loss) for FY 2018					4,567
Consolidated comprehensive income for FY 2018			**(306)**		
Insuance of hybrid securities				5,000	
Hybrid securities coupons'				(328)	
Change in scope					
Dividends paid					(2,478)
Others					(60)
Equity as at 31 December 2018	**8,287**	**18,698**	**(2,676)**	**9,489**	**40,642**

Exchange difference	financial assets at fair value by equity	Share of gains and losses recognized in equity (CFH variation)	Net profit (loss)	Total equity - Group share	Non-controlling interests	Total equity
(149)		**3**	**3,779**	**70,335**	**1,470**	**71,805**
			(3,779)			
(73)		**(13)**	**4,567**	**4,588**	**122**	**4,710**
				(179)		(179)
				(1,661)	(170)	(1,831)
				(672)	(3)	(675)
(223)		**(9)**	**4,567**	**72,411**	**1,419**	**73,830**
				(29)		(29)
(223)		**(9)**	**4,567**	**72,382**	**1,419**	**73,801**
			(4,567)			
(13)	**(521)**	**(240)**	**5,425**	**4,344**	**178**	**4,522**
				5,000		5,000
				(328)		(328)
				(2,478)	(170)	(2,648)
				(60)	4	(57)
(236)	**(521)**	**(250)**	**5,425**	**78,859**	**1,430**	**80,290**

Consolidated Statement of Cash Flows

(In millions of dirhams)	Note	31 December 2018	31 December 2017
EBITDA		17,076	12,722
Subsidies and donations		(797)	(705)
Other non-current operating income and expenses		(35)	(112)
Other non-current operating income and expenses- prior period		(333)	(207)
Profit or loss of associates and joint ventures		(399)	(337)
Other movements		(136)	(533)
Funds from operations		**15,375**	**10,829**
Impact of the change in WRC:		**(6,820)**	**(2,371)**
Inventories		*(3,008)*	*(255)*
Trade receivables		*(4,291)*	*(1,069)*
Trade payables		*(416)*	*(521)*
Other current assets and liabilities		*895*	*(526)*
Taxes paid		(855)	(114)
Total net cash flows related to operating activities		**7,700**	**8,345**
Acquisitions of PP&E and intangible assets (1)		(10,801)	(9,045)
Disposals of PP&E and intangible assets		95	150
Net financial investments		9,540	(705)
Impact of changes in scope		20	
Acquisitions of financial assets		(441)	(8)
Disposal of financial assets		1	
Dividends received		256	75
Total net cash flows related to investing activities		**(1,331)**	**(9,533)**
Loan issue		11,338	8,075
Loan repayement		(8,791)	(5,277)
Issue of hybrid securities		5,000	
Net financial interest payments		(2,504)	(2,379)
Dividends paid to Group shareholders	12.2	(2,478)	(1,661)
Dividends paid to minority shareholders		(170)	(170)
Total net cash flows related to financing activities		**2,395**	**(1,411)**
Impact of changes in exchange rates on cash and cash equivalents		(12)	(21)
Net increase/(decrease) in cash and cash equivalents		**8,752**	**(2,621)**
Opening cash and cash equivalents	10.1.3.1	8,388	11,009
Closing cash and cash equivalents	10.1.3.1	17,140	8,388
Change in net cash		**8,752**	**(2,621)**

(1) Acquisitions of PP&E and intangible assets are net of fixed assets liabilities for MAD -1,289 million for 2018 vs. MAD 1,135 million for 2017.

Note 1- Accounting rules and methods

1.1. BASES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with Opinion No. 5 of the Conseil National de la Comptabilité (CNC - National Accounting Council) of 26 May 2005, and in compliance with the provisions of Article III, paragraph 2 of the circular of the Conseil Déontologique des Valeurs Mobilières (CDVM – Securities Commission) that became Autorité Marocaine du Marché des Capitaux (AMMC), entered into force on 1 April 2012, the consolidated financial statements of the OCP Group are prepared in accordance with the standards and interpretations drawn up by the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee respectively, and adopted by the European Union.
The reporting currency for the consolidated financial statements is the Moroccan dirham.
The consolidated financial statements of OCP Group on 31 December 2018 were approved by the Board of Directors on 19 March 2019.
The accounting principles and methods adopted for the preparation of the consolidated accounts of Group OCP as at 31 December 2018 are identical to those used for the preparation of the consolidated financial statements for the year ended 31 December 2017, with the exception of the evolution of the consolidated financial statements described hereafter, and the standards, amendments and interpretations adopted by the European Union applicable as from 1 January 2017.

1.2. STANDARDS AND INTERPRETATIONS APPLIED AT 31 DECEMBER 2018

OCP Group has applied for the first time IFRS 15 “Revenue from Contracts with Customers” and IFRS 9” Financial Instruments”. The application of these two standards did not generate any significant impact in the Group’s consolidated financial statements. The impact analyzes of these two standards are detailed below:

IFRS 15 Income from Ordinary Activities from Contracts with Customers

IFRS 15 «Revenue from Contracts» (or Income Recognition) is the new IFRS standard governing revenue recognition principles. It replaces IAS 11 «Construction Contracts» and IAS 18 «Revenue» and the various existing interpretations, including IFRIC 15 «Real Estate Construction Contracts». As part of the implementation of this standard, the Group conducted an in-depth analysis of the qualitative and quantitative implications and the identification of the main differences in accounting methods and recognition of turnover.

IFRS 15, which is mandatory for fiscal years beginning on or after January 1st, 2018, defines a methodology for analyzing contracts and recognizing revenue based on five steps:

1- Identify the contract
2- Identify all the individual performance obligations within the contract.
3- Determine the transaction price.
4- Allocate the price to the performance obligations.
5- Recognize revenue as the performance obligations are fulfilled

The analyzes of the main sales contracts in application of these five stages covered the sales contracts for the rock, the acid and the fertilizers, according to the Incoterms used (Free On board FOB, Cost and Freight-CFR and Delivered at terminal-DAT).

This analysis confirmed that the majority of contracts consist of a single performance obligation, which consists of delivering a contractual quantity of good. The transfer of the control is carried out according to the incoterms used: For the FOB and CFR contracts analyzed, the date of transfer of the control corresponds to the date of emission of the bill of lading, that is to say at the end of the loading. Whereas for DAT contracts, the date of the transfer of control to the customer corresponds to the date of delivery in the warehouses designated by the customer.

This analysis has not changed the way revenues must be recognized. As a result, no impact is recorded in relation to the valuation of performance obligation and the recognition of revenue.

Similarly, in order to comply with the provisions of IFRS 15 in terms of information to be provided as an appendix, the Group has chosen to break down its revenues according to (see Note 4.1):

- The nature of the products and services sold: the lines of sales of phosphates, phosphoric acid, fertilizers and freight are particularly visible,
- their geographical areas,
- Intragroup and non-group third parties.

IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued a new standard on financial instruments that replaces most existing IFRS provisions, including IAS 39. The new standard, adopted by the European Union on November 22, 2016, is applicable mandatory as at January 1, 2018. The Group did not apply this standard in advance. The provisions of the standard on the classification, valuation and impairment of financial instruments are applied by the Group retrospectively without adjusting the comparatives.

As of January 1, 2018, the Group reduced the amount of its opening equity by MAD 36 million to reflect the cumulative effect of the first application of the standard. The main impacts by phase are presented below:

Phase I - Classification and valuation of financial assets

During the implementation of this standard, the Group reviewed the characteristics, particularly the remuneration, of its financial assets. The Group's practice in the management of its financial assets mainly concerns the management of cash assets. Since these assets mainly comprise deposits with a maturity of less than twelve months, it was concluded that all of the Group's financial assets met the «basic loan» or «SSPI» criteria. As defined by IFRS 9. The financial assets recognized at amortized cost in accordance with IAS 39 therefore did not experience a change in accounting policies upon the first application of IFRS 9.

In addition, the group reclassifies all of its equity investments previously classified as available-for-sale securities to the category of financial assets valued at fair value through non-recyclable equity capital by option.

Phase II - Impairment Model of Financial Assets

The standard has also changed the way in which the Group's financial assets are impaired, as IFRS 9 imposes a model based on expected losses. An analysis of the commercial and financial receivables portfolios.

The Group opted for the simplified method for measuring impairment losses on its trade receivables. The study of the history of losses recorded on these receivables led to a decrease in equity at January 1, 2018 for an amount of MAD 36 million.

The credit risk related to the financial receivables was measured according to the provisions of the full model of IFRS 9. No significant increase in credit risk was identified. In order to estimate the risk of non-recovery of the Group's financial assets, an analysis of the losses recorded over the financial year will be conducted annually in order to adjust the depreciation rates, if necessary.

Phase III - Cover Accounting

The Group is not concerned by the provisions specific to hedge accounting. The Group has chosen to hedge certain cash flow variations in accordance with IAS 39.

The impacts of the first application of IFRS9 as of January 1, 2018 are summarized below:

(In millions of dirhams)	*31 December 2017*	*IFRS 9 Impact*	*1st January 2018*
ASSETS			
Current assets			
Cash and cash equivalents	8,419		8,419
Cash financial assets	2,709		2,709
Inventories	10,343		10,343
Trade receivables	6,036	(36)	6,000
Other current assets	10,204		10,204
Total current assets	**37,711**	**(36)**	**37,675**
Non-current assets			
Non-current financial assets	15,215		15,215
Investments in equity-accounted companies	3,726		3,726
Deferred tax assets	16		16
Property, plant and equipment	97,015		97,015
Intangible assets	321		321
Total non-current assets	**116,293**	**(1)**	**116,292**
Total Assets	**154,005**	**(36)**	**153,969**

(In millions of dirhams)	*31 December 2017*		*1st January 2018*
LIABILITIES			
Current liabilities			
Current loans and financial debts	7,935		7,935
Financial debts resulting from Murabaha	818		818
Current provisions	263		263
Trade payables	13,706		13,706
Other current liabilities	5,268		5,268
Total current liabilities	**27,991**		**27,991**
Non-current liabilities			
Non-current loans and financial debts	46,244		46,244
Non-current provisions for employee benefits	4,307		4,307
Other non-current provisions	521		521
Deferred tax liabilities	1,112	(7)	1,105
Total non-current liabilities	**52,184**	**(7)**	**52,177**
Equity - Group share			
Issued capital	8,287		8,287
Paid-in capital	18,698		18,698
Consolidated reserves - Group share	40,858	(28)	40,830
Net profit (loss) - Group share	4,567	(1)	4,566
Equity - Group share	**72,411**	**(29)**	**72,382**
Non-controlling interests	1,419		1,419
Total equity	**73,830**	**(29)**	**73,801**
Total liabilities and equity	**154,005**	**(36)**	**153,969**

IFRIC 22 Interpretation: Foreign Currency Transactions and Advance Consideration

This interpretation sets the date of the transaction for the purposes of determining the exchange rate to be used for initial recognition of the asset, expense or related income (or a portion thereof) at the date of initial recognition of the non-current asset. monetary or non-monetary liabilities resulting from the payment or receipt of the anticipated counterparty.

If there are multiple advance payments or receipts, the entity must determine a transaction date for each payment or early receipt.

The application of this interpretation has no significant impact in the Group's consolidated financial statements as of December 31, 2018.

1.3. STANDARDS AND INTERPRETATIONS ADOPTED BY THE IASB BUT NOT APPLIED AT 31 DECEMBER 2018:

OCP Group has not opted for early adoption of any of the new standards and interpretations mentioned hereafter that could concern it and which application is not mandatory at 1st January 2018:

IFRS 16 «Leases»

On January 13, 2016, the IASB issued IFRS 16 «Leases». IFRS 16 will replace IAS 17 and the associated IFRIC and SIC interpretations and will remove the distinction between «operating leases» and «finance lease» for lessees.

Lessees will be required to account for all leases with a term of more than one year in a manner similar to the terms currently provided for finance leases under IAS 17 and thereby recognize an asset and liability for the rights and obligations created by a lease.

The new standard, adopted by the European Union on October 31, 2017, is applicable as of January 1, 2019. The impact of IFRS 16 is currently being finalized and verified.
The Group will use the simplified retrospective transition method by recognizing the cumulative effect of the initial application of the standard at the date of first application.

IFRIC 23 «Tax Treatment Uncertainty»

On June 7, 2017, IFRS IC issued IFRIC Interpretation 23, which is mandatory from January 1, 2019. This interpretation contains provisions relating to the recognition of the tax consequences related to the uncertain nature of the tax.

The OCP Group is currently conducting an analysis of the impacts and practical consequences of the application of these amendments.

Similarly, the group did not apply the following amendments in advance:

- Amendments to IAS 19 «Amendment, Reduction or Liquidation of a Plan»;
- Amendments to IFRS 9 «Prepayment Provisions Providing for Negative Compensation»;
- Amendments to IAS 28 «Long-term interests in associates and joint ventures»;
- Annual improvements, 2015-2017 cycle.

Note 2- Consolidation scope

2.1. CONSOLIDATION SCOPE

Company	Country of location	Currency	31 December 2018		31 December 2017	
			Consolidation method	% Interest	Consolidation method	% Interest
Industrial						
OCP S.A. - Holding	**Morocco**	**MAD**	**Parent Company**	**100.00**	**Parent Company**	**100.00**
Jorf Fertilizer Company I - JFC I	Morocco	MAD	Full	100.00	Full	100.00
Jorf Fertilizer Company II - JFC II	Morocco	MAD	Full	100.00	Full	100.00
Jorf Fertilizer Company III - JFC III	Morocco	MAD	Full	100.00	Full	100.00
Jorf Fertilizer Company IV - JFC IV	Morocco	MAD	Full	100.00	Full	100.00
Jorf Fertilizer Company V - JFC V	Morocco	MAD	Full	60.00	Full	60.00
Euro Morocco Phosphore - EMA	Morocco	MAD	Equity method	33.33	Equity method	33.33
Indo Morocco Phosphore - IMA	Morocco	MAD	Equity method	33.33	Equity method	33.33
Pakistan Morocco Phosphore - PMP	Morocco	MAD	Equity method	50.00	Equity method	50.00
Phosboucraâ	Morocco	MAD	Full	100.00	Full	100.00
Paradeep Phosphates Ltd. - PPL	India	INR	Equity method	50.00	Equity method	50.00
Groupe PRAYON	Belgium	EUR	Equity method	50.00	Equity method	50.00
Trading						
OCP AFRICA	Morocco	MAD	Full	100.00	Full	100.00
Black Sea Fertilizer Trading Company - BSFT	Turkey	TRY	Full	70.00	Full	70.00
OCP Fertilizantes	Brazil	BRL	Full	100.00	Full	100.00
SAFTCO	Swiss	USD	Full	100.00	Full	100.00
Others						
OCP International	Netherlands	USD	Full	100.00	Full	100.00
OCP International SAS	France	EUR	Full	100.00	Full	100.00
OCP Foundation	Morocco	MAD	Full	100.00	Full	100.00
Phosboucraâ Foundation	Morocco	MAD	Full	100.00	Full	100.00
Mohammed IV Polytechnic University - UM6P	Morocco	MAD	Full	100.00	Full	100.00
Lycée d'Excellence de Benguerir - Lydex	Morocco	MAD	Full	100.00		
Jacobs Engineering S.A - JESA	Morocco	MAD	Equity method	50.00	Equity method	50.00
Dupont OCP Operations Consulting - DOOC	Morocco	MAD	Equity method	50.00	Equity method	50.00
Société d'Aménagement et de Développement de Mazagan - SAEDM	Morocco	MAD	Equity method	51.00	Equity method	51.00
Société d'Aménagement et de Développement Vert - SADV	Morocco	MAD	Full	100.00	Full	100.00
OCP Innovation Fund For Agriculture - OIFFA	Morocco	MAD	Full	100.00	Full	100.00
OCP Services	Morocco	MAD	Full	100.00	Full	100.00
Société de Transports Régionaux - SOTREG	Morocco	MAD	Full	100.00	Full	100.00
Centre d'Etudes et de Recherches des Phosphates Minéraux (CER)	Morocco	MAD	Full	100.00	Full	100.00
OCP Solutions	Morocco	MAD	Full	100.00	Full	100.00
Teal Technology & Services - TTS	Morocco	MAD	Equity method	49.00		

2.2. SCOPE CHANGE

• «Teal Technology & Services-TTS» was included in the consolidation scope, a joint venture with IBM, this entity aims to activate the digital transformation of African companies. It is consolidated under the equity method.
• Full integration of Lycée d'Excellence of Benguérir (LYDEX). It is a scientific and technological institution resulting from a public-private partnership. The "Lycée d'Excellence" is supported by the OCP Foundation.

Note 3- Segment reporting

The presentation of the Group' segment information is made by production axis in accordance with the Group's organization and internal reporting:

• **Northern Axis (Khouribga – Jorf Lasfar)**: this axis hosts the integrated phosphate chemical processing hub. Phosphate extracted at Khouribga is transported by slurry pipeline to Jorf Lasfar, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the Jorf Lasfar port.

• **Central Axis (Youssoufia and Benguérir – Safi) and Phosboucraâ:** this axis hosts:
- The integrated phosphate chemical processing hub. The phosphate extracted at Youssoufia and Benguérir is transported by rail to Safi, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the Safi port.
- Phosboucraâ's extraction site. The phosphate that is extracted there is transported by conveyer to the processing center at Laâyoune, then exported by sea from the Laâyoune port

• **Head office and other activities:** it hosts the corporate activities and the activities of international entities.

3.1 INFORMATION BY OPERATING SEGMENT

(In millions of dirhams)	*Nortern axis*		*Central axis & Phosboucraâ*		*Head-office and other activities*		*Intersegment eliminations*		*TOTAL*	
	Exercice 2018	*Exercice 2017*	*Exercice 2018*	*Exercice 2017*	*Exercice 2018*	*Exercice 2017*	*Exercice 2018*	*Exercice 2017*	*Exercice 2018*	*Exercice 2017*
Revenue	42,493	36,897	12,968	11,253	2,709	2,403	(2,265)	(2,051)	55,906	48,503
Production held as inventory	934	(42)	396	177	398	66			1,728	201
Purchases consumed	(16,968)	(14,261)	(4,009)	(3,406)	(3,634)	(2,237)	2,213	1,118	(22,398)	(18,786)
External expenses	(5,320)	(4,230)	(2,574)	(2,436)	(2,412)	(2,210)	526	342	(9,780)	(8,534)
Personal expenses	(4,115)	(3,949)	(2,694)	(2,607)	(1,671)	(1,922)			(8,480)	(8,478)
Taxes	(159)	(135)	(101)	(76)	(27)	(16)			(288)	(227)
Income from joint ventures	262	153			137	183			399	337
Exchange gains and losses on operating recevables and payables	(3)	(7)	11	(9)	(68)	(250)			(60)	(266)
Other operating income and expenses	48	(342)	(2)		477	(275)	(474)	590	49	(27)
EBITDA	**17,172**	**14,084**	**3,994**	**2,897**	**(4,091)**	**(4,259)**			**17,076**	**12,722**
Amortization, depreciation and operating provisions	(4,017)	(4,741)	(764)	(558)	(1,039)	(852)			(5,820)	(6,150)
Current operating profit (loss)	**13,155**	**9,343**	**3,230**	**2,340**	**5,129**	**(5,111)**			**11,256**	**6,572**
Other non-curent operating income and expenses	(324)	293	(188)	(375)	(738)	(1,026)			(1,250)	(1,108)
Operating profit (loss)	**12,831**	**9,636**	**3,042**	**1,965**	**(5,867)**	**(6,136)**			**10,006**	**5,465**

The Group's sales increased by 15 % in 2018 compared to 2017, ie +7.4 billion dirhams, driven by higher price levels on acid (+ 31 %) and fertilizers (+ 20 %) in 2018.

Sales on the northern axis increased by 15 % compared to 2017, representing +5.6 billion dirhams corresponding to 76 % of the Group's growth. This good performance is supported by price increase for Acid and fertilizers segments, driven by the rise in input prices, mainly sulfur.

The central axis also improved its sales compared to 2017, by 15 %, achieving +1.7 billion dirhams. This increase is also driven by the price of phosphoric acid, which has risen sharply during this year.

The Group's operating expenses increased by 12 % compared to 2017, ie +4.5 billion dirhams. The purchase of materials is the expenses item having increased the most in 2018, by 25 %, that is +2.8 billion dirhams.

The Northern axis recorded a 16 % increase in its operating expenses, that is +3.6 billion dirhams, the main variations of which relate to the increase in purchases consumed by + 19 %, that is +2.7 billion dirhams, impacted by the increase in sulfur purchases. As well as the increase in external expenses of +26 % (+1.1 billion dirhams), mainly related to ocean freight which is invoiced to end customers.

The Central axis recorded a 10 % increase in expenses, ie +0.8 billion dirhams, mainly for sulfur purchases.

The external and staff costs of the central axis remain under control (+ 6 % and + 3 % respectively).

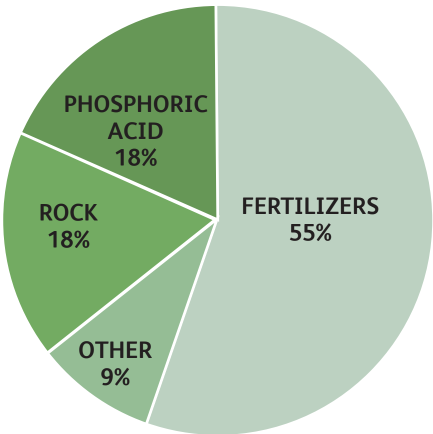
The Group thus achieved a 34 % increase in EBITDA, ie +4.4 billion dirhams, with a contribution to this increase of the northern axis of MAD3 billion and the central axis of MAD 1.1 billion.

3.2 REVENUE BY PRODUCT AND BY GEOGRAPHIC AREA

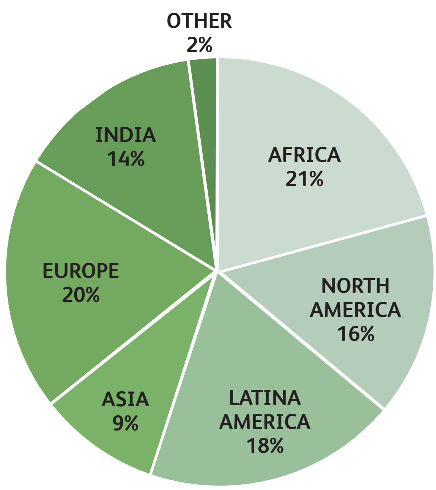
In 2018, revenue amounted to 55,906 MMAD, up 15 % compared to 2017.

The breakdown of net consolidated sales by geographic area and by product as at 31 December 2018 is detailed as follows:

REVENUE BY PRODUCT



REVENUE BY GEOGRAPHIC AREA



The Group generates revenues with a diversified customer portfolio. The biggest customer representes less than 5 % of the consolidated revenue.

It should also be noted that 99 % of the consolidated assets are located in Morocco.

Note 4- Operational data

4.1 OPERATING REVENUE

4.1.1 REVENUE

4.1.1.1 ACCOUNTING TREATMENT OF REVENUE

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed. Revenue is recognized upon the transfer of the significant risks and rewards of ownership of the goods, and when the amount of revenue can be reasonably estimated. This transfer of ownership is made at the time of delivery of goods for local sales and as per Incoterms for export sales:

- *Sales carried out FOB (Free on Board):* transfer of risk takes place when the goods are placed on board the ship at the port of shipment. This primarily concerns sales related to the mining activities
- *Sales carried out under the incoterm CFR (Cost and Freight):* OCP bears, in addition, the transport costs to the destination port, loading costs, export formalities and the related duties and taxes.

4.1.1.2. INFORMATION BY PRODUCT FAMILY

(In millions of dirhams)	*FY 2018*	*FY 2017*
Phosphate	9,900	10,245
Phosphoric acid	9,813	7,273
Fertilizers	30,490	26,087
Other income	5,703	4,898
Revenue	**55,906**	**48,503**

(In millions of dirhams)	Rock		Phosphoric acid		Fertilizers	
Main markets	**FY 2018**	**FY 2017**	**FY 2018**	**FY 2017**	**FY 2018**	**FY 2017**
Local sales	1,601	1,864	1,377	1,108	627	1,000
South America	2,340	2,398	3,665	2,589	4,811	5,471
Europe	907	1,375			7,569	4,824
Africa	1,572	1,193	2,625	2,251	2,705	194
North America	6	2	46	19	5,292	6,801
India	2,022	1,845	413	263	7,262	6,580
Asia	1,091	1,132	1,687	1,043	2,138	1,314
Oceania	359	435			86	36
Total	**9,900**	**10,245**	**9,813**	**7,273**	**30,490**	**26,220**

(In millions of dirhams)	Rock		Phosphoric acid		Fertilizers	
Break down by third parties	**FY 2018**	**FY 2017**	**FY 2018**	**FY 2017**	**FY 2018**	**FY 2017**
Revenue	**14,448**	**11,908**	**9,813**	**7,273**	**32,380**	**27,493**
Outside the group	7,450	7,610	7,326	5,138	30,516	26,203
Joints ventures	2,450	2,635	2,488	2,135	(25)	17
Intercompany sales	4,548	1,663			1,890	1,273
Eliminations	**4,548**	**1,663**			**1,890**	**1,273**
Total	**9,900**	**10,245**	**9,813**	**7,273**	**30,490**	**26,220**

Phosphate sales posted a net decrease of 3 % between 2017 and 2018. This decrease is explained by:

- The increase in volumes exported to Latin America and to Europe as a result of the continuity of the Group's strategy of offering rock at more competitive costs.
- The decline in sales in North America and the decline in Asian demand due to the closure of some capacities.
- The decline in volumes sold on the local market following the prolonged shutdown of the Pakistan Maroc Phosphore subsidiary during the first half of 2018.

It should be noted that average prices remained stable at $ 78 / T FOB on the international market between the two years of 2017 and 2018.
Phosphoric acid sales increased significantly by MAD 2.5 billion between 2017 and 2018 (+ 35 %). This variation is mainly attributable to a 31 % rise in average prices, due in particular to the rise in sulfur prices on the international market.
The volumes sold for export also increased by 8 % with an impact of +489 million dirhams which mainly concerns Mexico and the European continent.

Fertilizer sales increased MAD 4.3 billion between 2017 and 2018 (+ 16 %). This trend is explained by a positive price effect of +5 billion dirhams (the average price, all products combined, amounts to $ 383 / t in 2018 against $ 319 / t in 2017 following, on the one hand, the rise in input prices namely sulfur, and on the other hand, a slight decline in supply on the international fertilizer market.

Volumes remained virtually stable over the period, nevertheless recording a positive effect of 47 million dirhams following these variations:

- A greater demand in India and Latin America following a restriction of local supply, thus orienting the interest of operators towards import. Offset by,
- A decline in volumes sold in Africa and Europe due to unfavorable weather conditions that delayed the season.

The other products mainly concern the freight business and other ancillary products, particularly the sale of gypsum, sulfuric acid, ammonia, etc.). This line amounts to 5.7 billion dirhams, ie + 20 % in 2018 compared to 2017.

In addition, this increase in revenue achieved in 2018 was mitigated by a negative overall foreign exchange effect of 1.2 billion dirhams following the depreciation of the dollar exchange rate (9.67 dirhams in 2017 against 9.40 dirhams in 2018).

4.1.2 TRADE RECEIVABLES

4.1.2.1 ACCOUNTING TREATMENT OF TRADE RECEIVABLES

This category includes operating receivables, deposits and guarantees, as well as loans. Upon initial recognition, loans and receivables are recorded in the balance sheet at their fair value plus transaction costs directly attributable to the acquisition or issue of the asset. At the closing date, these assets are measured using the amortized cost method. A loss in value is recorded depending on the risk of non-recovery.

4.1.2.2 ANALYSIS OF TRADE RECEIVABLES

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Trade receivables invoiced	10,659	6,276
Provisions - trade receivables	(380)	(240)
Net trade receivables	**10,279**	**6,036**

Trade receivables rose by MAD 4.3 billion between 2017 and 2018, in line with the rise in revenue, mainly in the fourth quarter.

Net trade receivable maturities as at 31 December 2018 are as follows:

		Matured receivables			
(In millions of dirhams)	*Unmatured receivables*	*< 30 days*	*30 - 180 days*	*More than 180 days*	*Total*
Net trade receivables	**7,533**	**900**	**633**	**1,213**	**10,279**

4.1.3 MANAGEMENT OF EXCHANGE RISK AND CREDIT RISKS

Exchange risk

The Group's exposure to risk mainly results from the performance of a large part of its operating flows and its financial flows in currencies other than that in which the Group keeps its books (MAD), mainly the US dollar and the euro. OCP Group hedges its currency flows through natural hedging (foreign Currencies revenues – foreign currency expenses) and transfers the balance on the market throught spot transactions.

Foreign exchange risk on financing flows

Setting up exchange rate hedge accounting

As part of these activities, OCP realizes sales in dollars and has issued two bonds in dollars in fine respectively on April 25, 2014 and April 22, 2015. The first debt of $ 1.25 billion comes to maturity on April 25, 2024 and the second debt of $ 1 billion matures on October 22, 2025. At each closing, these debts generate an exchange rate effect in income under IAS 21. In this context, OCP would like to limit this impact by using hedge accounting under IAS 39.

Accordingly, it was envisaged to document under IAS 39 a cash flow hedge (CFH) between the highly probable future sales in dollars (hedged item) and the two bond issues in dollars (hedging instrument).
The hedge started on September 1, 2018.

Thus, the hedged item relates to the highly probable revenue that will be realized:

- from April 2024 for a total amount equal to the nominal value of the first bond issue, ie 1, 25 billion dollars.
- from October 2025 for a total amount equal to the nominal value of the first bond issue, ie $ 1 billion.

Both bond issues will be used as hedging instruments.
According to the strategy initially described, OCP expects the hedge to be highly effective over the life of the transaction, the effectiveness of the hedge must be regularly tested over the life of the transaction and must be in the range of 80 % to 125 %.

The hedging strategy described above will result in the following accounting treatment:

- Recognition in OCI (Other Comprehensive Income), for the effective part, of the currency effect on the debt until maturity.
- Recycling as a result of OCI accumulated at the maturity of the debt. This recycling will be progressive over a period of 8 months from the date of repayment of the two debts.

Credit risks

The credit risk stems in particular from the client risk in the event that the customers are unable to fulfill their commitments under the agreed conditions, bank and political risk.

The OCP Group is present in more than fifty countries in the world. Its turnover is mainly generated by export sales. OCP counts among its clients large international groups that have been in business relations with the Group for several years.
Credit risk management is based on the following elements:

- OCP has a comprehensive credit risk hedging policy based on periodic assessments of the financial strength of its clients and counterparties.
- The Group carries out a very active monitoring of trade receivables and counterparty risks. The monitoring is also permanent and rigorous with preventive reminders and in case of exceeding deadlines.
- Reporting and monitoring indicators are produced monthly to assess the payment performance of customers and counterparties.

The Group covers credit risk through a non-recourse credit insurance and factoring program signed with world-class players.

4.2 PURCHASES CONSUMED AND EXTERNAL CHARGES

4.2.1 ACCOUNTING TREATMENT OF OPERATING CHARGES

Operating expenses are those related to the operating business cycle of the company. They correspond to the expenses which contribute to sustainable wealth creation. The main operating expenses are generally the consumption of raw materials, consumable, non-storable materials and supplies expenditure, external consumptions, staff costs (see Note5 : expenses and employee benefits) and taxes.
In accordance with the principle of matching revenues and expenses, revenues and expenses are directly related to each other and recorded in the same period.

4.2.2 ANALYSIS OF PURCHASES CONSUMED AND EXTERNAL CHARGES

(In millions of dirhams)	*FY 2018*	*FY 2017*
Purchases of materials and supplies	(525)	(412)
Purchases of raw materials	(14,091)	(11,318)
Sulfur	*(8,069)*	*(5,106)*
Ammonia	*(3,873)*	*(3,945)*
Sulfuric acid	*(1,276)*	*(700)*
KCL	*(560)*	*(712)*
Phosphoric acid	*(51)*	*(571)*
Acid return	*(216)*	*(168)*
Other raw materials	*(46)*	*(116)*
Energy comsumption	(3,273)	(2,860)
Electric energy	*(1,476)*	*(1,448)*
Fuel	*(1,123)*	*(885)*
Diesel fuel	*(583)*	*(457)*
Others	*(91)*	*(70)*
Spare parts	(1,076)	(1,099)
Purchases of works, studies and services	(1,945)	(1,690)
Water supply	(149)	(100)
Auxiliary materials and othe purchases	(1,338)	(1,306)
Purchased consumables of materials and supplies	**(22,398)**	**(18,786)**

Commodities purchases increased by MAD 3.6 billion (+18 %) between 2017 and 2018. This variation is mainly due to higher purchases of sulfur and sulfuric acid.

In fact, sulfur purchases increased by MAD 2,963 million following a 54 % increase in the price per tonne during 2018 ($ 94 /T CFR in 2017 compared to $ 145 /T CFR in 2018). As for volumes, they increased by 7 % over the same period in line with production trends.

Sulfuric acid consumption rose by 576 million dirhams, which is also explained by a surge in the price per tonne, which went from $ 46 /T CFR in 2017 to 83 /T in 2018 (+ 81 %). Volumes increase by 5 % 2017 and 2018 in correlation with the evolution of production.

Energy consumption amounted to 3,276 million dirhams in 2018, an increase of 413 million dirhams over 2017. This trend mainly concerns fuel oil and gas oil, which experienced a rise in prices over the period.

External expenses:

(In millions of dirhams)	*FY 2018*	*FY 2017*
Transport	(5,843)	(5,315)
ONCF transport on sales	*(980)*	*(1,173)*
Shipping on sales-Freight	*(3,848)*	*(3,114)*
Truck phosphates transport	*(365)*	*(384)*
Personal transport	*(140)*	*(110)*
Other operating transport	*(511)*	*(534)*
Consulting and fees	(446)	(464)
Contributions and donations	(369)	(463)
Maintenance and repairs	(1,321)	(764)
Leases ans lease expenses	(309)	(320)
Insurance premiums	(215)	(190)
Advertising, publications and public relations	(244)	(221)
Postal and telecommunications expenses	(71)	(82)
Study, analysis, research and documentation	(165)	(106)
Remuneration of personal outside the company	(161)	(99)
Other external expenses	(636)	(511)
External expenses	**(9,780)**	**(8,534)**

The increase in external expenses of 1.2 billion dirhams is mainly due to:

- The increase in shipping costs of 734 million dirhams between 2017 and 2018, in line with the increase in volumes shipped and the increase in transportation costs per tonne.
- The rise on the «maintenance and repairs» item of MAD 557 million, due in particular to the ramp-up of outsourcing projects on Jorf Lasfar mainly in the maintenance sector. It should be noted that the retirements of the OCP staff responsible for this activity have not been replaced (about 700 departures per year).

4.2.3 RISKS RELATED TO RAW MATERIALS

Sulfur supplies

On a global trade of 35 million tonnes per year, OCP Group imports nearly 6 million (2018) tonnes and is expected to import 7 million tonnes after the start of the new fertilizer production units (Horizon 2020-2021), equaling 25 % of the world trade. These rising imports are provided through direct contracts with the world's leading sulfur producers. The supplier portfolio is thus diversified from a regional standpoint but also from their position in the sulfur value chain. OCP portfolio consists of the main suppliers: Middle East, Europe, North America (US Gulf & Canada), FSU (Russia, Kazakhstan).

Sulfur prices

Prices are fixed quarterly. The prices negotiated by the OCP Group are among the most competitive as a result of the diversification policy and the Group's weight on the international market.

Ammonia supplies

Global trade in ammonia represents approximately 20 million tonnes per year. This market is a very regional one due to the high logistics costs involved. The Group's annual procurements represent around 1.8 million tonnes per year and should reach 2 million tonnes after the start-up of the granulation units and the fertilizers production units. Morocco's geographical situation is advantageous in that it enables the Group to be close to the locations of the world's main exporters of ammonia (Trinidad, FSU,Far East)

The new dynamic of shale gas in North America and the ammonia projects announced in Russia will provide further potential supply sources for the Group in the future.

Ammonia prices

Prices of ammonia are volatile and consequently are fixed cargo by cargo or over a short period. However, the Group has entered into contracts with all the main suppliers (Russia, Trinidad, Ukraine ...) to guarantee the availability of the product in the medium and long term .

4.2.4 INVENTORIES

4.2.4.1 ACCOUNTING TREATMENT OF INVENTORIES

Inventories are measured at the lower of cost and net realizable value.
The cost of inventories is determined according to the weighted average cost method. It comprises the costs of purchase, production, conversion and other costs incurred in bringing the inventories to their present location and condition. For manufactured inventories and work-in-progress, the cost includes an appropriate share of the overheads based on normal production capacity.

At the moment of the sale, inventories are accounted as expenses in current operating income at the same period as the corresponding product.
Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
Incorporable costs exclude the portion of sub-activity.

4.2.4.2 ANALYSIS OF THE INVENTORIES EVOLUTION

(In millions of dirhams)	*31 December 2018*			*31 December 2017*		
	Gross	*Depreciation*	*Net*	*Gross*	*Depreciation*	*Net*
Consumable materials and supplies	5,737	(1,409)	4,327	4,674	(1,450)	3,224
In-process inventory	5,735		5,735	4,719		4,719
Finished products	3,241	(90)	3,151	2,631	(231)	2,400
Total Inventories	**14,713**	**(1,500)**	**13,213**	**12,023**	**(1,681)**	**10,343**

Inventories of consumables and supplies consist mainly of non-strategic spare parts for installations. Due to their short useful lifetime, these spare parts are not classified as an immobilization. The risk of obsolescence of parts is an indication of impairment that is reviewed annually to estimate whether impairment is required.

4.2.5 TRADE PAYABLES

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Trade payables	3,702	4,967
Fixed assets liabilities	8,529	8,739
Trade payables	**12,230**	**13,706**

Trade payables correspond to payables and fixed assets liabilities. This item shows a slight decrease of 4.8 % at 31 december 2018 compared to 31 December 2017.

His improvement was made possible thanks to OCP's privileged relationship with its diversified ecosystem. Moreover, the Group has conducted a reeingineering of processes, a reorganization of resources and the implementation of dematerialization and digitization solution throughout the process.

Note 5 - Expenses and employee benefits

5.1 PERSONNEL EXPENSES

(In millions of dirhams)	*FY 2018*	*FY 2017*
Employee remuneration and related social charges	(6,639)	(6,669)
Retirement benefits and medical cover	(1,178)	(1,168)
Other employee benefits	(664)	(641)
Personnel expenses	**(8,481)**	**(8,478)**

Personnel costs remained virtually stable between 2017 and 2018. This is explained by the increase in payroll following the implementation of the 2018 Protocol of Agreement, that was mitigated by the impact of the retirements.

5.2 NUMBER OF EMPLOYEES

(On number)	*31 December 2018*	*31 December 2017*
Non-excecutives	2,844	2,376
Technicians, Supervisors and Administrative executives	6,782	6,972
Manual workers and Clerical staff	10,463	11,102
Number of employees	**20,089**	**20,450**

5.3 POST-EMPLOYMENT BENEFIT AND OTHER BENEFITS

5.3.1 GENERAL PRESENTATION OF SCHEMES EXISTING WITHIN THE GROUP AND ACCOUNTING TREATMENT

OCP Group has three types of benefits schemes:

- Post-employment defined contribution plans are those for which the obligation of the OCP Group is limited to the payment of a contribution that does not include any commitment by the employer to the level of benefits provided by the Group Allowance Plan. RCAR pension. Contributions are expensed during the period in which the employees rendered the related services. Amounts assumed during the year under other defined contribution plans amounted to MAD 564 million in 2018 compared to MAD 539 million in 2017.

- Post-employment defined benefit plans include all post-employment benefits for which the OCP Group is committed to a benefit level. These include: death benefit, end-of-career benefits and post-employment medical coverage for OCP staff.

- Other long-term benefits are benefits, other than post-employment benefits and termination benefits, that are not due in full within 12 months of the end of the year in which the benefits are earned. staff rendered the corresponding services. This includes the closed own plans for the death and disability benefit and the workers' compensation agreement. The other long-term benefit obligation is measured using an actuarial valuation method similar to that applied to defined-benefit post-employment benefits.

Defined benefit plans are subject to a provision, determined on the basis of an actuarial valuation of the commitment using the projected unit credit method, taking into account demographic and financial assumptions. Actuarial assumptions are reviewed on an annual basis. Differences related to changes in actuarial assumptions and experience-related adjustments (the effect of differences between previous actuarial assumptions and what actually happened) are actuarial gains and losses recorded in non-recyclable equity in accordance with the provisions of IAS 19 revised and appear in the «Actuarial Gap» column in the consolidated statement of changes in equity.

5.3.2 MAIN ACTUARIAL ASSUMPTIONS USED

All defined benefit obligations have been calculated on the basis of actuarial calculations based on assumptions such as the discount rate, the medical inflation rate, future salary increases, the employee turnover rate and the number of employees and mortality tables. The main assumptions used are as follows:

	31 December 2018	31 December 2017
Discount rate		
Pension supplement	4.52 %	4.58 %
Medical plans	4.22 %	4.28 %
Expected salary increase rate	**5.10%**	**5.10%**
Rate of increase in medical costs	**1.00%**	**1.00%**

The discount rates are determined by reference to market yields on bonds issued by the Moroccan State, to which is added a basic risk premium to estimate the market yields on high quality corporate bonds over durations equivalent to those of the plans.

The new medical consumption curve assumed in the calculation of the commitment corresponds to the median age-specific medical consumption curve estimated from the history of new medical expenses for the years 2015, 2016 and 2017 instead of the previously used curve estimated for the years 2013 and 2014.

Moreover, regarding the outsourcing of health insurance plan to the AMO, OCP had fixed 2020 as the year of changeover.

5.3.3 OBLIGATIONS RELATED TO SOCIAL LIABILITIES

(In millions of dirhams)	*Post-employment benefits*				*Other long-term benefits*	*Total employee benefits*
	Pension supplement	*Medical plans*	*Fixed retirement allocation*	*Total post-employment benefits*		
Net obligations recognized at 1st January 2017	**441**	**3,315**	**658**	**4,414**	**148**	**4,561**
Benefits paid	(8)	(631)	(72)	(711)		(710)
Service cost	6	49	79	133		134
Expenses related to discounting of obligations	19	136	27	183		183
Actuarial losses or (gains) for the period resulting from changes in:	(48)	(59)	(24)	(130)		(130)
Contributions		235		235		235
Other changes	35			35		35
Net obligations recognized at 1st January 2018	**445**	**3,045**	**669**	**4,159**	**148**	**4,307**
Benefits paid	(9)	(579)	(88)	(676)	(18)	(694)
Service cost	5	83	78	165		165
Expenses related to discounting of obligations	20	130	29	180		180
Actuarial losses or (gains) for the period resulting from changes in:	(34)	434	(22)	378		378
Contributions		250		250		250
Other changes	30			30		30
Net obligations recognized at 31 December 2018	**458**	**3,363**	**665**	**4,486**	**130**	**4,616**

5.3.4 ANALYSIS OF SENSITIVITY TO THE ASSUMPTIONS USED FOR DEFINED-BENEFIT PLANS AND OTHER LONG-TERM BENEFITS RECOGNIZED

(as % of the item measured) *Sensitivity analysis +1%*	*31 December 2018*		*31 December 2017*	
	Pension supplement	*Medical plans*	*Pension supplement*	*Medical plans*
Discount rate				
Impact on the current value of gross obligations at 31 December	-16 %	-10 %	-17 %	-9 %
Rate of change in medical costs				
Impact on the current value of gross obligations at 31 December		12 %		16 %

(as % of the item measured) *Sensitivity analysis -1%*	*31 December 2018*		*31 December 2017*	
	Pension supplement	*Medical plans*	*Pension supplement*	*Medical plans*
Discount rate				
Impact on the current value of gross obligations at 31 December	21 %	13 %	22 %	12 %
Rate of change in medical costs				
Impact on the current value of gross obligations at 31 December		-10 %		-13 %

5.4 KEY MANAGEMENT COMPENSATION

Key management includes the Chairman and Chief Executive Officer, Deputy Executive Officers, Executive Vice-Presidents, seniors Vice-Presidents, Vice-Presidents and advisors to the Chief Executive Officer.

(In millions of dirhams)	*FY 2018*	*FY 2017*
Short-term employee benefits	130	127
Post-employment benefits	21	20
Termination benefits employment contract	1	1
Total management compensation	**151**	**148**

Note 6 - Investments in joint ventures and associates

6.1 ANALYSIS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Group's investments in associates* and joint ventures are analyzed as follows:

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Paradeep Phosphates Limited- PPL	1,049	1,079
Groupe PRAYON	1,132	1,061
Pakistan Maroc Phosphore - PMP	729	764
Euro Maroc Phosphore - EMA	140	141
Indo Maroc Phosphore - IMA	422	348
Société d'Aménagement et de Développement de Mazagan - SAEDM	287	294
Teal Technology Services - TTS	4	
Others	39	40
Total interests in joint-ventures	**3,802**	**3,726**

*SAEDM and TTS being two associated companies.

6.2 BALANCE SHEETS AND INCOME STATEMENTS OF ASSOCIATES AND JOINT VENTURES

The note hereafter details at 100 % the lines of the balance sheet and income statement of the consolidated associates and joint ventures:

Balance sheet:

(In millions of dirhams)	*PRAYON*	*EMA*	*IMA*	*PMP*	*PPL*	*SAEDM*	*Others*
ASSETS							
Current assets							
Cash and cash equivalents	23	96	81	695	17	413	593
Inventories	1,994	305	158	107	1,791	790	
Trade receivables	1,123	388	514	70	2,506		1,390
Current tax receivables			2				65
Other current assets	121	129	722	148	469	29	209
Total current assets	**3,260**	**919**	**1,477**	**1,020**	**4,783**	**1,232**	**2,258**
Non-current assets							
Non-current financial assets	10				16		11
Investments in equity-accounted companies	819						
Equity securities	16						121
Deferred tax assets	135						
Property, plant and equipment	1,715	79	405	749	1,870		36
Intangible assets	92		22	21	1	1	5
Total non-current assets	**2,787**	**79**	**427**	**770**	**1,888**	**2**	**173**
Total Assets	**6,047**	**998**	**1,904**	**1,790**	**6,671**	**1,233**	**2,432**

(In millions of dirhams)	PRAYON	EMA	IMA	PMP	PPL	SAEDM	Others
LIABILITIES							
Current liabilities							
Current loans and financial debts	1,394				2,747		5
Current provisions	13		2		90		15
Trade payables	1,308	562	407	276	1,497	59	336
Current tax liabilities		8	60	22			68
Other current liabilities	364	9	127	12	218	3	784
Total current liabilities	**3,080**	**579**	**596**	**310**	**4,552**	**62**	**1,208**
Non-current liabilities							
Non-current loans and financial debts	294			1		608	
Non-current provisions for employee benefits	171						
Other non-current provisions	24				20		
Deferred tax liabilities	208						
Other non-current liabilities	20						
Total non-current liabilities	**718**			**1**	**20**	**608**	
Equity - Group share	471	180	620	800	789	608	116
Paid-in capital		110					
Reserves	(30)	59	216	507	1,140	(1)	8
Retained earnings	1,682		7	8		(32)	991
Net profit (loss) - Group share	127	69	466	164	169	(13)	108
Total equity	**2,250**	**418**	**1,308**	**1,479**	**2,098**	**563**	**1,223**
Total liabilities and equity	**6,047**	**998**	**1,904**	**1,790**	**6,671**	**1,233**	**2,432**

Income statement

(In millions of dirhams)	PRAYON	EMA	IMA	PMP	PPL	SAEDM	Others
Revenue	7,643	1,641	2,959	1,778	4,016		1,992
Production held as inventory	176	102	(3)	(95)	518	54	
Purchases consumed	(4,875)	(1,495)	(1,849)	(1,082)	(4,748)	(76)	(834)
External expenses	(1,449)	(131)	(520)	(313)	(569)	(4)	(154)
Personnel expenses	(1,118)		(1)	(9)	(179)	(11)	(800)
Taxes		(2)	(3)	(1)	(55)		(2)
Exchange gains and losses on operating receivables and payables	116	(2)	5	(6)			1
Other operating income and expenses	174	1	5	13	1,651	22	(4)
EBITDA	**667**	**115**	**593**	**286**	**634**	**(16)**	**199**
Amortization, depreciation and operating provisions	(326)	(12)	(48)	(96)	(138)		(23)
Operating profit (loss) before exceptional items	**341**	**103**	**546**	**190**	**496**	**(16)**	**176**
Other non-current operating income and expenses	(5)	(8)	10	8	(9)		(11)
Operating profit (loss)	**336**	**95**	**555**	**198**	**487**	**(16)**	**166**
Cost of net financial debt	(63)	2	13	13	(115)	(12)	7
Exchange gains and losses on financial receivables and payables	(129)				(97)		
Other financial income and expenses					(2)	15	(1)
Financial profit (loss)	**(192)**	**2**	**13**	**13**	**(215)**	**3**	**6**
Profit (loss) before tax	**145**	**97**	**569**	**211**	**272**	**(13)**	**171**
Corporate tax	(17)	(28)	(103)	(47)	(103)		(63)
Net profit (loss) for the period	**127**	**69**	**466**	**164**	**169**	**(13)**	**108**

6.3 SERVICES PROVIDED BY OCP TO JOINT VENTURES

OCP provides its joint ventures with various services as summarized below:

6.3.1 SUPPLY OF PHOSPHATE

Contractual provisions govern OCP's supply of phosphate to its joint ventures. These provisions notably concern the following:

- The quality of the rock, defined according to specifications determined by the joint venture annually.
- The price invoiced to the joint venture which corresponds to the average export market prices for the year. The same price determination formula is used for all of the joint ventures.
- And other conditions related to invoicing and payment terms.

As part of these transactions, OCP recorded sales of phosphates to joint ventures for MAD 1,883 million in 2018 compared to MAD 2,355 million in 2017.

6.3.2 SUPPLY OF SERVICES AND UTILITIES

The services and utilities provided by OCP to its joint ventures based on the Jorf Lasfar platform mainly concern the use of the infrastructures of Jorf Lasfar, the supply of utilities (liquid sulfur, water, steam etc.) necessary for the industrial exploitation, the know-how of the OCP personnel, the services of maintenance of the installations and equipment and the services of handling, and finally the services of rental of materials of storage.

6.3.3 LEASES

OCP has signed lease agreements with local joint ventures based on the Jorf Lasfar platform. Rents are payable in advance at the beginning of the year and revised according to the terms and conditions set out in the contracts.
OCP has also entered into a lease agreement with the TTS joint venture for the rental of a workspace at OCP headquarters.

6.3.4 FINANCIAL AGREEMENT

OCP and Prayon entered into a subordinated loan agreement of EUR 9 million in 2013 to tackle the company's cash requirements. The interest rate applied is 5.5 % . The outstanding amount of this loan amounts to EUR 3.4 million as of December 31, 2018.
In addition, OCP has entered into cash pooling agreements with certain joint ventures (Indo Maroc Phosphore-IMA, Pakistan Morocco Phosphore-PMP ...)

6.3.5 OTHER SERVICES

OCP also provides marketing services (marketing products manufactured by the joint venture) and chartering to some of its joint ventures.
OCP also signed a multiparty contract for the sale of spare parts on the Jorf Lasfar platform in 2017 with several subsidiaries and joint ventures, including Indo Maroc Phosphore-IMA and Euro Maroc Phosphore-EMAPHOS.

6.3.6 BENEFITS PROVIDED BY JOINT VENTURES TO OCP

Dupont OCP Operations Consulting-DOOC and OCP have entered into a Master Consulting Services Agreement, through which DOOC provides consulting services to OCP primarily in the areas of security, operational efficiency and environmental management. The contract was amended in 2015, 2017 and 2018.

Jacobs Engineering-JESA provides OCP with engineering services through the Framework Services Agreement signed in 2017.

Teal Technology & Services and OCP have entered into a Master Services Agreement through which Teal Technology & Services provides data center services, digital transformation and outsourcing for existing businesses.

Note 7- Other operating items

7.1 ACCOUNTING TREATMENT OF THE OTHER OPERATING ITEMS

Other operating items primarily include taxes, foreign exchange gains and losses on operating receivables and payables, and other non-current operating income and expenses.
Non-current items are items (income and expenses) that have little predictive value due to their nature, frequency and / or materiality. These income and expense concern:

- Impairment losses on fixed assets (cf. Note 8.1.3 «Impairment tests and impairment losses «), if so, the reversals of impairment losses on intangible assets, being generated by an event that substantially modify the economic viability of the concerned products;
- Gains or losses on business disposals;
- Income of equity revaluation previously held in activities in which the Group takes control;
- Other unusual and materials items which nature is not directly related to current operations.

7.2 ANALYSIS OF OTHER OPERATING ITEMS

(In millions of dirhams)	*FY 2018*	*FY 2017*
Gains and losses on other assets	27	59
Subsidies granted	(421)	(295)
Donations, legacies, liberalities	(376)	(409)
Tax inspection	(218)	(110)
Others	(262)	(351)
Other non-current operating income and expenses	**(1,250)**	**(1,107)**

Operating income and expenses recorded a net loss of MAD 142 million between 2017 and 2018. This variation is mainly explained by the increase in subsidies granted of MAD 125 million, including MAD 95 million in favor of the Institute of Socio-Educational Promotion (IPSE).

7.3 OTHER CURRENT ASSETS

(In millions of dirhams)	*31 December 2018*			*31 December 2017*		
	Gross	*Depreciation*	*Net*	*Gross*	*Depreciation*	*Net*
Receivables from suppliers, advances and payments on account	4,113	(6)	4,107	3,053	(6)	3,047
Personnel	76	(1)	75	60	(1)	58
Social organizations	293	(17)	277	268		268
State (excluding corporate income tax)	4,610		4,610	5,703		5,703
Tax receivables	34		34	106		106
Other receivables	290	(10)	280	1,029	(9)	1,021
Total other current assets	**9,417**	**(34)**	**9,383**	**10,220**	**(16)**	**10,204**

"State (excluding corporate income tax)" mainly includes VAT, the phosphate exploitation fee and other taxes.

The tax receivable maturities as at 31 December 2018 are detailed in the table below:

(In millions of dirhams)			*Matured*		
	Total	*Unmatured*	*<30 days*	*30 - 120 days*	*> 120 days*
State, VAT	2,198	2,188	2		8
VAT credit	2,143	1,396		693	54
State, other taxes	267	42			226
Total	**4,610**	**3,627**	**2**	**693**	**287**

7.3 OTHER CURRENT LIABILITIES

(In millions of dirhams)	31 December 2018	31 December 2017
Trade receivable credit balances, advances and payments on account	763	442
State	1,229	1,750
Social payables	1,079	1,220
Tax liabilities	30	68
Other creditors	2,156	1,788
Total other current liabilities	**5,257**	**5,268**

Other payables mainly include adjustments to the cost of outsourcing the pension plan to RCAR for 737 million dirhams, the credit position towards IMACID for cashpooling for MAD 440 million and certain lines of credit. Commitments with social partners taken by the OCP Foundation for 450 million dirhams and by the Phosboucraâ Foundation for 150 million dirhams.

Note 8 – Property, plant & equipment and intangible assets

8.1 ACCOUNTING TREATMENT OF ASSETS

8.1.1 PROPERTY, PLANT & EQUIPMENT

MEASUREMENT AND USEFUL LIVES OF OPERATING ASSETS

The equipment controllers and maintenance managers in the Northern, Central and Phosboucrâa axis identify the useful lives of the various categories of assets (main assets and components). These lives correspond to the potential duration of technical utilization. The useful lives and depreciation methods used are examined at the close of each period and prospectively adjusted, if necessary.

Property, plant & Equipment (PP&E) are recognized at their historic acquisition cost, production cost or cost of entry to the Group, less depreciation and possible loss of value. Borrowing costs incurred during the construction of a qualified asset are incorporated into the cost of the asset. Costs of day-to-day maintenance are recognized as maintenance costs if the frequency of renewal of this maintenance in terms of volume is annual. The partial or total restoration of one or several components constitutes major maintenance. This is recognized in fixed assets and the net carrying amount is derecognized.

DEPRECIATION

In accordance with the component approach, the Group uses differentiated depreciation periods for each of the significant components of the same asset if the useful life of one of the components is different from the useful life of the principal asset to which it belongs. Depreciation is calculated using the straight-line method on useful lives corresponding to the following technical lives:

Property, plant and equipment	Duration
Mining land	10 to 30 years
Buildings	15 to 60 years
Technical installations equipment and tools	5 to 30 years
Transport equipment	5 to 30 years
Furniture, office equipment, fitings	3 to 30 years

LEASES

Leases that transfer to the Group substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. All other leases are classified as operating leases.

Finance leases: Finance leases are recognized as assets in the balance sheet, at the fair value of the leased property or, if lower, the present value of the minimum lease payments under the lease. The corresponding debt due to the lessor is recognized as a liability under financial debts in the balance sheet. A leased asset is depreciated over the shorter of the lease term and its useful life (unless the Group is reasonably certain that it will obtain ownership by the end of the lease term).

Operating leases: Payments made under operating leases are expensed in the statement of profit and loss on a straight-line basis over the duration of the lease contract.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' are included in the cost of the asset, in accordance with IAS 23 "Borrowing costs".

OCP capitalize the borrowing costs for MAD 817 million in 2018, versus an amount of MAD 1,207 billion in 2017.

8.1.2 INTANGIBLE ASSETS

INITIAL AND SUBSEQUENT MEASUREMENT

Intangible assets are composed of patents, licenses, software, and research and development costs. They are recognized at their acquisition cost less accumulated amortization and impairment losses. Expenses thus recorded in assets include costs for equipment and services, costs of personnel directly assigned to the production and preparation of some softwares for their use and costs of borrowing if eligibility conditions are satisfied.

Expenses undertaken over the development phase are capitalized when the criteria for recognition of an asset set forth in IAS 38 are met: technical feasibility, intention to complete the asset and to use it or to sell it, probability of future economic benefits, availability of resources, ability to measure the development expenses reliably. Expenses incurred during the research phase are not capitalized, but are expensed.

DEPRECIATION

Intangible assets consist mainly of softwares and are amortized on a straight-line basis according to their useful life, which ranges from 1 year to 5 years.

DEVELOPMENT EXPENDITURES

The development phase starts when the deposit has been analyzed as economically feasible and a decision has been taken to develop it. Only the expenditure incurred before the production phase and for the development of the deposit is capitalized. Development expenditure incurred to maintain the existing production is recognized as expenses.

GOODWILL

There is no significant goodwill in the Group.

8.1.3 IMPAIRMENT TESTS AND IMPAIRMENT LOSSES

VALUATIONS USED FOR IMPAIRMENT TESTS

The assumptions and estimates which are made to determine the recoverable value of goodwill, intangible assets and PP&E relate in particular to the market prospects necessary to evaluate cash flows and the discount rates used. Any modification of these assumptions could have a significant effect on the amount of the recoverable value, and could lead to a modification of the impairment to be recognized.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Given the group's activities, three main cash generating units are identified:

• **Northern Axis (Khouribga – Jorf Lasfar) :** this axis hosts the integrated phosphate chemical processing hub. Phosphate extracted at Khouribga is transported by slurry pipeline to Jorf Lasfar, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the Jorf Lafar port.

• **Central Axis (Youssoufia and Benguérir – Safi) :** this axis hosts: the integrated phosphate chemical processing hub. The phosphate extracted at Youssoufia and Benguérir is transported by rail to Safi, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the Safi port.

• **Phosboucraâ Axis :** Phosboucraâ extraction site. The phosphate that is extracted there is transported by conveyer to the processing center at Laâyoune, and then exported by sea.

The impairment tests for assets apply the following rules:

- Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year.
- PP&E and intangible assets with finite lives are tested for impairment if there is an indication of impairment, as defined hereafter
  - significant reduction in the market price of the asset
  - obsolescence or physical deterioration of the asset
  - significant negative changes in the past or planned use of an asset
  - significant change in the technological, economic or legal environment
  - increase in interest rates or yield which could affect useful value

An impairment loss is recognized when the recoverable value of a CGU is lower than the net carrying amount of the assets that belong to it. The recoverable amount of a CGU is the higher of its fair value less costs to sell, and its value in use. The value in use is equal to the present value of the future cash flows that it generates, as per the budget and strategic plan approved by the Board of Directors, increased, by its exit value at the end of its expected useful life.

No impairment losses were identified at the close of financial years 2017 and 2018.

8.2 PROPERTY, PLANT AND EQUIPMENT VARIATION

(In millions of dirhams)	*31 December 2017*	*Aquisitions*	*Provisions*	*Reductions / Reversals*	*Reclassification*	*Translation difference*	*Other changes*	*31 December 2018*
Gross amount								
Land	6,011	473		(433)	70	(1)		6,120
Buildings	36,029	1,723		(669)	3,535	(3)		40,615
Technical installations, equipment and tools	101,471	3,345		(488)	(6,981)	(1)	3	97,349
Transport equipment	953	32		(4)	(11)			971
Furniture, office equipment and various fittings	2,508	143		(25)	52	(2)	25	2,702
Other property, plant and equipment	2,875	(501)		502	7,998		2	10,876
Property, plant and equipment under construction	(28)	4,378		(39)	(4,285)		9	35
Total gross amount	**149,821**	**9,593**		**(1,156)**	**379**	**(7)**	**38**	**158,668**
Depreciations								
Land	(1,028)		(69)					(1,098)
Buildings	(11,142)		(995)	494	9			(11,633)
Technical installations, equipment and tools	(38,330)		(3,915)	461	(8)			(41,792)
Transport equipment	(694)		(48)	3				(738)
Furniture, office equipment and various fittings	(997)		(197)	14	(1)		(4)	(1,184)
Other property, plant and equipment	(612)		(80)	61				(631)
Impairment losses								
Buildings	(3)		(1)	1				(3)
Total depreciation and impairment losses	**(52,806)**		**(5,304)**	**1,035**		**1**	**(5)**	**(57,079)**
Net carrying amount	**97,015**	**9,593**	**(5,304)**	**(122)**	**380**	**(6)**	**33**	**101,589**

(In millions of dirhams)	*31 December 2016*	*Aquisitions*	*Provisions*	*Reductions / Reversals*	*Reclassifi-cation*	*Translation difference*	*Other changes*	*31 December 2017*
Gross amount								
Land	5,968	7		(2)	36	2		6,011
Buildings	36,317	3,955		(35)	(4,213)	7	(1)	36,029
Technical installations, equipment and tools	86,526	4,993		(367)	10,323	2	(5)	101,471
Transport equipment	925	45		(6)	(10)			953
Furniture, office equipment and various fittings	2,180	248		(92)	172	5	(5)	2,508
Other property, plant and equipment	7,119	400			(4,645)			2,875
Property, plant and equipment under construction	64	1,688		(97)	(1,656)		(26)	(28)
Total gross amount	**139,099**	**11,336**		**(599)**	**8**	**16**	**(38)**	**149,821**
Depreciations								
Land	(955)		(73)					(1,028)
Buildings	(10,308)		(823)	2	(12)	(1)		(11,142)
Technical installations, equipment and tools	(33,757)		(4,833)	363	(102)			(38,330)
Transport equipment	(655)		(44)	6	(1)			(694)
Furniture, office equipment and various fittings	(905)		(187)	96	(1)			(997)
Other property, plant and equipment	(281)		(447)		116			(612)
Impairment losses								
Buildings	(3)		(1)	1				(3)
Total depreciation and impairment losses	**(46,865)**		**(6,408)**	**468**		**(2)**		**(52,806)**
Net carrying amount	**92,234**	**11,336**	**(6,408)**	**(131)**	**8**	**14**	**(38)**	**97,015**

The increase during 2018 mainly concern the following projects:

Mining activity:

- Extension of the Merah washing plant in Khouribga for the treatment of high, medium and low grade. This extension provides an additional capacity of 3 million tonnes per year and brings the global laundry capacity to 12 million tonnes per year,
- Opening of the new Beni Amir mine with a production capacity of 5.5 million tonnes per year of phosphate in selective mode;

Chemical activity:

- Complete start-up of the fourth fertilizer production unit JFC4. This unit, with a capacity of 1 million tonnes per year, brings the total capacity of the Group to 12 million tonnes.
- Building of a new plant producing crystalline MAP (soluble fertilizer suitable for irrigation: fertigation of irrigated crops), with a capacity of 100,000 tonnes per year and equipped with ancillary units (storage of raw materials, utilities, administrative building, technical rooms, storage of the finished product,...).
- Building of a new phosphoric acid unit (line F) with a capacity of 1,400 tonnes of P_2O_5 per day (450 KT/year).

8.3 INTANGIBLE ASSETS VARIATION

(In millions of dirhams)	*31 December 2017*	*Aquisitions*	*Dotations*	*Reclassification*	*31 December 2018*
Gross amount					
R&D assets	74	10			85
Patents, trademarks, rights and similar items	72	6			78
Licences and software	443	64		45	551
Other intangible assets	54	495		(316)	233
Total gross amount	**643**	**574**		**(271)**	**947**
Amortization					
Amortization of R&D assets	(27)		(12)		(40)
Amortization of patents, trademarks, rights and similar items	(51)		(6)	2	(55)
Amortization of licences and software	(170)		(64)		(235)
Amortizaiton of other intangible assets	(75)		(31)	(2)	(107)
Total amortization and impairment losses	**(322)**		**(114)**	**(1)**	**(437)**
Net carrying amount	**321**	**574**	**(114)**	**(271)**	**510**

(In millions of dirhams)	*31 December 2016*	*Aquisitions*	*Dotations*	*Reclassification*	*31 December 2017*
Gross amount:					
R&D assets	28	46			74
Patents, trademarks, rights and similar items	65	4		3	72
Licences and software	235	209			443
Other intangible assets	157	23		(126)	54
Total gross amount	**485**	**282**		**(124)**	**643**
Amortization:					
Amortization of R&D assets	(23)		(4)	0	(27)
Amortization of patents, trademarks, rights and similar items	(46)		(6)	1	(51)
Amortization of licences and software	(138)		(32)	0	(170)
Amortizaiton of other intangible assets	(48)		(25)	(1)	(75)
Total amortization and impairment losses	**(255)**		**(67)**		**(322)**
Net carrying amount	**230**	**282**	**(67)**	**(124)**	**321**

8.4 NET DEPRECIATION AND AMORTIZATION

(In millions of dirhams)	*FY 2018*	*FY 2017*
Net depreciation and amortization	(5,489)	(5,777)

The decrease in net depreciation for the year is due to the combined effects below:

- During its transition to IFRS in 2008, the Group defined economic useful lives for calculating depreciation of fixed assets. Considering the importance of the investments made during these last financial years, in 2018 the Group reviewed the useful lives to reflect the technological evolution of its fixed assets.

- Suspension of amortization of part of the Downstream project. This project involves the construction of a plant with three components namely filtration, drying and storage. Indeed, technical problems related to the ignition and the control of the flame of the drying furnaces delayed the rampup of the project which is expected during 2019.

Note 9 – Provisions and contingent liabilities

9.1 ACCOUNTING TREATMENT OF PROVISIONS

The Group recognizes a provision as soon as there is a current, legal or constructive obligation, resulting from a past event, and where it is probable that an outflow of resources will be required to extinguish the obligation.
An obligation is qualified as constructive if the following two conditions are met:

- It has been indicated to other parties, by past practice, published policies or a sufficiently specific current statement, that the entity will accept certain responsibilities ;
- The entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

9.2 ACCOUNTING TREATMENT OF PROVISIONS

(In millions of dirhams)	*FY 2018*	*FY 2017*
Net provisions	(332)	(373)

9.3 PROVISIONS FOR LIABILITIES AND CHARGES

Current and non-current provisions can be broken down as follows:

(In millions of dirhams)	*31 December 2017*	*Increase*	*Reversals*	*Other changes*	*31 December 2018*
Non-current provisions	**4,828**	**360**	**(29)**	**214**	**5,373**
Provisions for employee benefits	4,307	15	(16)	311	4,616
Provisions for environmental risks & for site rehabilitation	294	13			307
Other non-current provisions	227	332	(13)	(97)	450
Current provisions	**263**	**63**			**328**
Other current provisions	263	63			328
Total provisions	**5,092**	**423**	**(29)**	**214**	**5,701**

Measurement of provisions for employee benefits

Provisions for employee benefits cover benefits related to the death benefit, medical plans, fixed retirement allocations and other long-term benefits. Details of these advantages are disclosed in Note 5 «Expenses and employee benefits».

Measurement of provisions for site rehabilitation

The rehabilitation of mining soils is an integral part of the OCP's sustainable development policy. The group anticipates the rehabilitation of the land from the beginning of the extraction. Its approach involves recovering the topsoil and storing it during the operation of the mine. Subsequently, at the end of the operation, these excavated materials are used to create a regular ground and prepare the soil for agricultural use. The Group also takes advantage of the opportunity to initiate agricultural and forestry activities that benefit the communities. This approach is based on the involvement of the local populations as well as the authorities and associations or agencies concerned at the start of the project. In addition to respecting the peculiarities of the soils and the local climatic conditions, the cultures and the introduced activities are done in the light of the local know-how. The former Khouribga mine testifies to the value of this approach. The program that has been deployed has rehabilitated 3,410 hectares to date and allowed the planting of 3.5 million trees, not to mention the rehabilitation of 330 hectares of old mining installations for an investment of MAD 15 million.

9.4 CONTINGENT LIABILITIES

Contingent liabilities concern bank guarantees and other items arising in the ordinary course of the Group's business. Group OCP does not expect these items to result in significant liabilities.

9.5 COMMITMENT GIVEN

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Letters of credit	1,289	1,135
Miscellaneous rights and commitments	256	426
Total Commitments given	**1,545**	**1,561**

Note 10 – Financial instruments, net debt and net cost of financing

10.1 CASH MANAGEMENT FINANCIAL ASSETS, FINANCIAL LIABILITIES, NET DEBT AND NET COST OF FINANCING:

10.1.1 DEFINITIONS AND ACCOUNTING TREATMENT:

FINANCIAL LIABILITIES

Financial liabilities include financial loans and debts, and bank overdrafts, they are initially recognized at the fair value of the amount required to settle the corresponding obligation, less related costs. Upon subsequent measurement, these financial liabilities are recognized at amortized cost, using the effective interest rate method. The interest calculated at the effective interest rate is recognized in the item "Cost of gross financial debt" over the term of the financial debt.

Financial assets and liabilities are classified as current when expected maturity of the instrument cash flows is less than one year.

CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" include cash as well as short-term investments (with a maturity of less than three months) classified in this category as long as the following criteria are met

- Highly liquid.
- Easily convertible to a known cash amount.
- Subject to a negligible risk of change in value.

Short-term investments primarily correspond to cash unit trusts measured at fair value at the closing date, and changes in fair value are recognized in financial profit or loss.

CASH MANAGEMENT FINANCIAL ASSETS

Cash financial assets mainly correspond to term deposits. These are investments whose maturity and income conditions are determined when they are made and which the Group intends and has the means to keep until their maturity. They are measured at amortized cost. Remuneration of term deposits is recognized in financial profit or loss.

NET DEBT

Net debt is defined as the sum of current and non-current financial debt less cash and cash equivalents and financial cash assets.

COST OF NET FINANCIAL DEBT

The cost of net financial debt includes the cost of gross debt plus financial income from cash investments.

- Cost of gross debt: This includes interest charges calculated using the effective interest rate method, the costs of early repayment of loans or cancelation of lines of credit.
- Financial income from cash investments: This is composed of income from investments of cash and cash equivalents as well as financial cash assets.

10.1.2 ANALYSIS OF FINANCIAL DEBTS

10.1.2.1 BREAKDOWN OF FINANCIAL DEBTS BY TYPE

The table below shows the breakdown of the Group's financial debts by type :

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Current financial debts		
Government credits	65	67
Long-term bank loans, portion due in less than one year	5,178	5,288
Finance leases, portion due in less than one year	114	110
Bond issue		2,000
Financial debts resulting from Murabaha	387	818
Accrued interest not yet due	588	437
Bank overdrafts	1	33
Other credits	789	
Total current financial debts	**7,123**	**8,753**
Non-current financial debts		
Government credits	374	449
Long-term bank loans, portion due in more than one year	20,105	19,172
Bond issue	26,718	26,010
Finance leases, portion due in more than one year	134	239
Other credits	3,533	373
Total non-current financial debts	50,864	46,244
Total financial debts	**57,988**	**54,997**

The change in financial debts is explained by:

- the conclusion during 2018 of new financing contracts for a global amount of MAD 6 billion (see Note «10.1.2.4 Main financing contracts of the Group»), in addition to the recognition of a debt of MAD 4 billion corresponding to the cost of factoring the VAT credit.
- repayment of MAD 7.5 billion of debt in the same year, mainly the MAD 2 billion bond issue.

10.1.2.2 ANALYSIS OF FINANCIAL DEBTS: RATES AND MATURITIES

The table below shows the breakdown of total loans according to interest rate, maturity date and currency.

(In millions of dirhams)	*Interest rate*	*Weighted average interest rate*	*Weighted average residual maturity*	*31 December 2018*
Current financial debts				
Denominated in EUR	[1.30 % - 2.50 %]	2.09 %		65
Long-term bank loans, portion due in less than one year				
Denominated in USD	[2.94 % - 4.15 %]	3.57 %		1,345
Denominated in MAD	[3.00 % - 3.90 %]	3.46 %		3,570
Denominated in EUR	[1.13 % - 4.47 %]	3.36 %		263
Finance lease debts				
Denominated in MAD	[3.50 % - 4.70 %]	3.54 %		114
Financial debts resulting from Murabaha				
Denominated in USD				387
Accrued interest not yet due				588
Bank overdraft				
Denominated in MAD				1
Other credits				789
Total current financial debts				**7,123**
Government credits				
Denominated in EUR	[1.30 % - 2.50 %]	2.31 %	12	374
Long-term bank loans, portion due in more than one year				
Denominated in EUR	[1.13 % - 4.47 %]	2.17 %	7	2,607
Denominated in MAD	[3.20 % - 3.90 %]	3.62 %	5	11,886
Denominated in USD	[2.94 % - 4.15 %]	3.56 %	6	5,612
Finance lease debts				
Denominated in MAD	[3.50 % - 4.70 %]	3.58 %	2	134
Bond issue				
Denominated in MAD				
Denominated in USD	[4.50 % - 6.88 %]	5.49 %	10	26,718
Other credits				3,533
Total non-current financial debts				**50,864**
Total financial debts				**57,988**

10.1.2.3 FINANCIAL DEBT MATURITIES

The table below shows the maturities of financial debts as at 31 December 2018:

(in millions of dirhams)	*<1 yr*	*1-5 yrs*	*> 5 yrs*	*Total at 31 December 2018*
Medium and long-term debt	7,123	34,153	16,711	57,988

10.1.2.4 THE GROUP'S MAIN FINANCING AGREEMENTS

The Group's main financing agreements as at 31 December 2018 are as follows:

- OCP S.A. successfully closed on May 14, 2018, the perpetual subordinated bond issue with early repayment and deferred payment options for a total amount of MAD 5 billion issued in Five tranches. Given the characteristics of this hybrid issue, financing is recognized in equity under IFRS9.
- In March 2018, OCP S.A. concluded a loan totaling MAD 2 billion at fixed interest rates and maturing in March 2025 with «Société Générale Maroc". The borrowing outstanding as of December 31, 2018 is 2 billion dirhams.
- In April 2018, OCP S.A. concluded a loan totaling MAD 1 billion at a fixed interest rate maturing April 2023 with the "Banque Marocaine pour le Commerce et l'Industrie –BMCI". The amount outstanding at December 31, 2018 for this line is MAD 1 billion.
- In April 2018, OCP S.A. concluded a loan totaling MAD 2 billion at fixed interest rates and maturing in December 2024 with "Banque Centrale Populaire". The amount outstanding as of December 31, 2018 for this line is 2 billion dirhams.
- In April 2018, OCP S.A. concluded a loan totaling 1.5 billion dirhams at a fixed interest rate and maturing in June 2025 with "Crédit Agricole du Maroc". The borrowing outstanding as of December 31, 2018 for this line is 500 million dirhams.
- In September 2018, OCP S.A. concluded a loan for an aggregate amount of MAD 500 million at fixed interest rates maturing in July 2023 with "Crédit du Maroc". Outstanding as of December 31, 2018 for this line is 500 million dirhams.

10.1.3 ANALYSIS OF FINANCIAL ASSETS

10.1.3.1 CASH AND CASH EQUIVALENT

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Cash	3,252	3,670
Cash equivalents	13,889	4,748
Total cash and cash equivalents	**17,141**	**8,419**
Bank (credit balances)	1	31
Cash and cash equivalents in the consolidated statement of Cash Flows	**17,140**	**8,388**

10.1.3.2 CASH MANAGEMENT FINANCIAL ASSETS

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Cash financial assets	5,654	2,709
Total	**5,654**	**2,709**

Cash management financial assets include mainly term deposits with a maturity more than three months contracted mostly by OCP S.A. for MAD 5.6 billion as at 31 December 2018 versus MAD 2.7billion as at 31 December 2017.

10.1.3.3 MATURITIES AND FAIR VALUE OF FINANCIAL CASH ASSETS

Financial cash assets maturities

The investment portfolio must remain sufficiently liquid to respond to the financing needs generated by the Group's operations and investment. As such, assets portfolio is composed of a very short-term and liquid instruments providing for daily operating needs, and short-term instruments in order to improve yields and be in line with targets.

(In millions of dirhams)	*0-3 month*	*3-6 months*	*6-12 months*	*>1 year*	*Total*
Money market funds	6,873				6,873
Term deposit	7,015	5,654			12,669
Total	**13,889**	**5,654**			**19,543**

10.1.4 ANALYSIS OF NET DEBT

10.1.4.1 NET DEBT BY CATEGORY

(In millions of dirhams)		*31 December 2018*	*31 December 2017*
Liabilities measured at amortized cost	Financial credits	25,726	24,905
	Bonds	26,718	28,010
	Other loans and assimilated debts	4,966	1,335
	Financial lease debt	578	716
	Long-term financial debt	**57,987**	**54,966**
	Bank overdrafts	1	31
	Gross financial debt	**57,988**	**54,997**
Assets measured at fair value through profit or loss		17,141	8,419
	Cash equivalents	13,889	4,748
	Cash	3,252	3,670
Assets measured at amortized cost			
	Financial assets for cash management	5,654	2,709
	Financial assets	**22,795**	**11,128**
	Net financial debt	**35,193**	**43,868**

10.1.4.2 RECONCILIATION OF NET DEBT ACCOUNTS

The reconciliation with balance sheet items is shown below:

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Current loans and financial debts	6,736	7,935
Financial debts resulting from Murabaha	387	818
Non-current loans and financial debts	50,864	46,244
Gross financial debt	**57,988**	**54,997**
Financial assets for cash management	(5,654)	(2,709)
Cash and cash equivalents	(17,141)	(8,419)
Net financial debt	**35,193**	**43,868**

Reconciliation of net financial debt with cash flow in statement of Cash Flows:

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Net change in cash	(8,752)	2,621
Change in marketable securities	(2,945)	2,176
Insuance/ repayment of loans	2,978	2,798
Other variations	43	(1,746)
Change in net financial debt	**(8,676)**	**5,849**

10.1.5 COST OF NET DEBT

The cost of net debt can be broken down as follows:

(In millions of dirhams)	*FY 2018*	*FY 2017*
Interest expenses	(1,865)	(1,388)
Cost of gross financial debt	**(1,865)**	**(1,388)**
Financial income from cash investments	122	77
Other financial income	177	142
Financial income from cash investments	**299**	**220**
Cost of net financial debt	**(1,567)**	**(1,168)**

The increase in the cost of gross financial debt, which amounts to MAD 477 million, is due to the combined effect of the remuneration of new drawings made in 2018 and the decrease in the capitalization of borrowing costs after the commissioning of industrial projects.

10.2 OTHER FINANCIAL ASSETS

10.2.1 DEFINITIONS AND ACCOUNTING TREATMENT:

Other financial assets

Other financial assets are classified as « Available-for-sale» and primarily include non-consolidated investment shares. They are valued at fair value, Subsequent changes in fair value are recognized directly in "Other items of comprehensive income"», except in the case of significant or prolonged unrealized loss.

The Group considers that a significant loss is assumed if the asset available for sale has lost 20 % of its value and that loss is prolonged if it lasts for more than 6 months

Fair value corresponds to the market price for quoted shares or to an estimate of fair value for non-quoted shares, determined according to the most appropriate financial criteria for the particular situation of each shareholding. The Group uses historic cost less any possible depreciation to value its shares that are not quoted on an active market and whose fair value cannot be measured reliably.

Other financial income and expenses

Other financial income and expenses primarily include income from loans and receivables calculated using the effective interest rate method, dividends from non-consolidated entities, exchange gains and losses on financing operations, accretion of provisions and of receivables and payables, impairment losses and income relating to financial assets.

10.2.2 NON-CURRENT FINANCIAL ASSETS

(In millions of dirhams)	*31 December 2018*			*31 December 2017*		
	Gross	*Depreciation*	*Net*	*Gross*	*Depreciation*	*Net*
Financial assets at fair value by equity	489	(81)	408	573	(78)	495
Financial assets at fair value through profit or loss	27		27	27		27
Receivables from fixed assets disposals	34	(5)	30	47	(5)	42
VAT credit				14,575		14,575
Other financial receivables	407	(1)	407	76	(1)	76
Total non-current financial assets	**958**	**(86)**	**872**	**15,298**	**(83)**	**15,215**

The receivables relating to the VAT credit were repaid following the agreement signed between the State, OCP Group and moroccan banks. This is a non-recourse factoring contract with transfer of all the risks and benefits to banks. This transaction enabled the Group to break down the VAT credit for its current and non-current portion totaling MAD 20.5 billion in return for the recognition of a financial debt of MAD 4.2 billion corresponding to the overall cost of the factoring. This debt will be repaid on a 9-year schedule.

10.2.3 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses are as follows:

(In millions of dirhams)	*FY 2018*	*FY 2017*
Exchange income from financing operations	(412)	2,901
Revenue from financial receivables	(1,321)	(851)
Other	(4)	(30)
Other financial income and expenses	**(1,737)**	**2,021**

The foreign exchange loss on borrowings recorded in the 2018 financial year amounted to MAD -410 million, explained by the increase in MAD / $ exchange rates. In fact, the closing rate goes from 9.32 MAD / $ at 31 December 2017 to 9.56 MAD / $ at 31 December 2018.
As a reminder, the foreign exchange result was particularly positive in 2017 of MAD 2.9 billion due to the fall in the MAD / $ exchange rate, which went from 10.08 at 31/12/2016 to 9.32 at 31 December 2016. / 12/2017.

This foreign exchange loss was limited by the implementation of an accounting hedge relationship as of September 1, 2018.
The total foreign exchange loss of MAD 535 million was recorded in foreign exchange on the statement of profit and loss for MAD 204 million for the period up to August 31, 2018 and in shareholders' equity for the change in exchange rate recorded from September 1 to end December 2018 (331 million dirhams) corrected for the effective portion of the hedging for 2 million dirhams.

The «VAT receivable credit discount» shows a decrease of MAD 471 million compared to the 2017 financial year. This is due to the recognition, during the 2018 financial year, of a net additional provision of MAD1,321 million following the agreement to finance VAT credit by non-recourse factoring. The overall cost of the operation is 4.2 billion dirhams.

10.3 WEIGHT OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

10.3.1 WEIGHT OF FINANCIAL INSTRUMENTS

In accordance with IFRS 7, "Financial instruments: Disclosures", fair value measurements must be classed according to a hierarchy based on the input used to measure the fair value of the instrument which includes the following three levels:

- Level 1: the use of quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: the use of quoted market prices in active markets for similar assets or liabilities or measurement techniques where the relevant inputs are based on observable market data.
- Level 3: the use of measurement techniques where the relevant inputs are not all based on observable market data.

	At 31 December 2018				
(in millions of dirhams) *Balance sheet captions and instrument classes*	*Carrying value*	*Fair value*	*Level 1 : quoted prices and available funds*	*Level 2 : internal model with observable inputs*	*Level 3 : internal model with unobservable inputs*
Cash and cash equivalents	17,141	17,141	17,141		
Cash financial assets	5,654	5,654		5,654	
Available-for-sale financial assets	408	408			408
Financial assets measured at fair value through profit or loss	27	27			27
Total financial assets	**23,230**	**23,230**	**17,141**	**5,654**	**436**
Current loans and financial debts	7,123	7,123		7,123	
Non-current loans and financial debts	50,864	53,326	28,783	24,543	
Total financial liabilities	**57,988**	**60,450**	**28,783**	**31,666**	

	At 31 December 2017				
(in millions of dirhams) *Balance sheet captions and instrument classes*	*Carrying value*	*Fair value*	*Level 1 : quoted prices and available funds*	*Level 2 : internal model with observable inputs*	*Level 3 : internal model with unobservable inputs*
Cash and cash equivalents	8,419	8,419	8,419		
Cash financial assets	2,709	2,709		2,709	
Available-for-sale financial assets	495	495			495
Financial assets measured at fair value through profit or loss	27	27			27
Other receivables*	14,275	14,275			14,575
Total financial assets	**26,225**	**26,225**	**8,419**	**2,709**	**15,097**
Current loans and financial debts	8,753	8,781	2,028	6,753	
Non-current loans and financial debts	46,244	49,280	28,192	21,088	
Total financial liabilities	**54,997**	**58,060**	**30,220**	**27,840**	

(*) Represents the VAT credit reclassified as non-current financial assets, this VAT credit was repaid in October 2018.

10.3.2 RISK MANAGEMENT

10.3.2.1 CERTAIN CONTRACTUAL PROVISIONS AND TERMS OF THE DEBT

The negotiations undertaken with the international financial institutions as from July 2016 led to the consideration of the Group's rating level, which is now reflected in a single commitment to have at least an "investment grade" rating «. This commitment is to be respected for 6 institutions: KFW, European Investment Bank, French Development Agency, Islamic Development Bank, African Development Bank, US EXIM.

10.3.2.2 CASH RESERVES

To meet its commitments, OCP Group also has potential cash reserves in the form of overdraft facilities and Documentary Credits, accompanied by guarantees granted to Group entities. These reserves represent a total of MAD 6 billion, activated without prior authorization in case of Short position on the Cash.

Moreover, the multi entities cash pooling mechanism implemented in 2015 allows a particular operational flexibility in managing cash and achieving loans- borrowings between centralized / centralizing entities. This mechanism is based on the indirect ZBA (Zero Balancing Account) mode that allows viewing on a single account overall cash position of the entities that are included in the cash pooling.

The Group also has the ability to turn with the Moroccan partner banks, the discount mechanism without recourse of trade receivables held by OCP on some of its customers.

10.3.2.3 COMMITMENTS RECEIVED

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Unused borrowings	3,097	2,707
Other commitments received for contracts	6,658	8,632
Loans guaranteed by the State	440	517
Total Commitments received	**10,195**	**11,855**

"Other commitments received for contracts" concern commitments received from suppliers relating to advances paid within the context of the industrial programs undertaken by the Group. The analysis of the loans guaranteed by the state are presented in Note 13 «relations with the State».

10.3.2.4 COUNTERPARTY RISK MANAGEMENT

Capital security is a fundamental principle of the Group's investment policy. Cash surpluses are invested at an accepted level of risk, with high-quality counterparties
In this respect, the Trading Room acts in compliance with the following rules and procedures:

Pre-qualifying counterparties

Pre-qualifying bank counterparties, issuers of debt, management companies and mutual funds with which the OCP Group is exposed directly or indirectly .
The Trading Room is authorized to deal with bank counterparties if the latter have a rating that is higher than the minimum rating required of three notches below the S&P and Fitch ratings for the Moroccan debt.

As for Debt issuers, the Trading Room is authorized to deal with debt issuers if the following conditions are met:

- State Treasury issue: treasury bills with a residual maturity less than or equal to two years. Derogations may be granted by the Management Committee for any other maturities on a case-by-case basis.
- Private debt issue other than with bank counterparties: any subscription must be validated by the Management Committee on a case-by-case basis

Finally, the prequalification of UCITS consists of the following two stages:

- Choice of the management company: the management company must have a minimum management rating of M2 according to the Fitch scale.
- Choice of the UCITS: the investment mainly concerns low-sensitivity, fairly liquid UCITS in order to allow the Group to manage its liquidity under the best conditions.

Diversifying the counterparties

Diversifying the counterparties to which Group OCP is exposed in accordance with prudential rules defined internally.

Fixing limits by type of instruments held by counterparties

Outstanding direct investment with a bank counterparty is classified by instrument type and is limited according to the credit standard of the said counterparty. These limits fix:

- The maximum outstanding amount authorized with a counterparty as a percentage of equity.
- The outstanding amount with a counterparty by instrument type which must not exceed the Group's total outstanding amount invested directly in this type of instrument.
- The outstanding amount with a counterparty by instrument type which must not exceed a percentage of the counterparty's total outstanding amount in this type of instrument.

Otherwise, the outstanding amount with a UCITS is limited according to the credit rating of the management company and of the said UCITS. These limits fix the maximum outstanding amount authorized with a UCITS as a percentage of net assets and the maximum outstanding amount authorized with the management company.
Any exception to the rules above is subject to validation by the Executive Committee.

10.3.2.5 LIQUIDITY RISK

The investment portfolio must remain sufficiently liquid to respond to the financing needs generated by the Group's operations and investment. To this end, it must be composed of liquid, flexible and available instruments.

The breakdown of assets invested between the investment portfolios is based on cash flow forecasts and is as follows:

- Very short-term, liquid instruments, providing for daily operating needs.
- Short-term instruments, in conformity with counterparty risk management, generating a yield which is in line with the yield objectives of the investment policy.

Note 11 – Corporate Income taxes

11.1 ACCOUNTING TREATMENT OF INCOME TAXES

Income taxes include the current tax expense (or income) and the deferred tax expense (or income). Tax is recognized in profit or loss, unless it relates to items that are recognized directly in equity, in which case it is recognized in equity. The tax rates used are those that have been enacted or substantially enacted as of the closing date.

Deferred tax is determined according to the balance sheet approach. The Group applies the liability method. OCP Group recognizes deferred tax for all temporary differences that exist between the tax bases and the carrying amounts of the assets and liabilities in the balance sheet except for goodwill.

Tax assets relating to temporary differences, net of chargeable deferred tax liabilities, and loss carry-forwards are only recognized if it is probable that a likely future profit, determined with sufficient precision, will be generated by the tax entity.
A Group entity shall offset current tax assets and current tax liabilities if, and only if, the entity:

- has a legally enforceable right to set off the recognized amounts.
- Intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities, whatever their maturity, must be offset when they are levied by the same tax authority and concern a single tax entity that has the right to set off current tax assets against current tax liabilities.

11.2 ANALYSIS OF TAX EXPENSE

(In millions of dirhams)	*FY 2018*	*FY 2017*
Current tax expense/current tax income	(1,071)	(1,012)
Deferred tax expense/deferred tax income	(29)	(617)
Corporate income tax	**(1,100)**	**(1,629)**

11.3 RECONCILIATION BETWEEN THE TOTAL TAX EXPENSE AND THE THEORETICAL TAX EXPENSE

(In millions of dirhams)	*FY 2018*	*FY 2017*
+Net income - Group share	5,425	4,567
+Net income - Minorities' share	178	122
-Share of profit (loss) of equity-accounted companies	(399)	(337)
+/-Tax for the period	1,100	1,629
Consolidated accounting income before tax	**6,302**	**5,980**
+/- Permanent differences*	136	1,808
= Consolidated taxable income	**6,438**	**7,789**
Theorical tax rate	21.11 %	20.00 %
=Theoretical tax **	**(1,359)**	**(1,571)**
Tax losses	45	(52)
Difference in tax rate in relation to OCP S.A.	77	(60)
Prior years' income taxes	53	(1)
Other items	85	56
= Corporate income tax	**(1,100)**	**(1,629)**
including		
current tax	*(1,071)*	*(1,012)*
deferred tax	*(29)*	*(617)*

(*)The main permanent differences are the previous exercises' expenses, tax control expenses subsidies and non-deductible donations and income equity.
(**)The theoretical tax rate takes into account local sales taxed at 30 % and export sales realized in foreign currency taxed at 17.5 %

11.4 DEFERRED TAX ASSETS AND LIABILITIES

The trend in deferred tax assets and liabilities is as follows :

(In millions of dirhams)	*31 December 2017*	*Activity changes in income*	*Change in consolidation scope*	*31 December 2018*
Gross deferred tax assets	16			16
Unrecognized deferred tax assets				
Net deferred tax assets	**16**			**16**
Deferred tax liabilities	**1,112**	**(119)**		**993**

The breakdown by type of deferred tax asset and liability is as follows:

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Temporary differences	903	630
Eliminations of intercompany transactions	500	447
Intangible assets	(179)	(21)
Tangible assets	13	14
Financial assets available for sale	49	49
Other asset items	(16)	(70)
Provisions for employee benefits	1,617	1,617
Other provisions	664	664
Tax loss carryforwards	9	9
Offsetting	(3,545)	(3,323)
Total deferred tax assets	**16**	**16**

(In millions of dirhams)	*31 December 2018*	*31 December 2017*
Temporary differences	3	3
Intangible assets	81	72
Tangible assets	4,027	3,533
Financial assets at fair value by equity	49	49
Inventories	399	399
Other assets items	(332)	(79)
Other provisions	127	221
Tax loss carryforwards	(43)	
Other	226	235
Offsetting	(3,545)	(3,323)
Total deferred tax liabilities	**993**	**1,112**

Note 12 – Equity, perpetual subordinated debt, dividends and earnings per share

12.1 ISSUED CAPITAL

As at 31 December 2018, the share capital amounts to MAD 8,287 million. It is composed of 82,875,000 shares with a nominal value of MAD100. 729,300 OCP shares are held by its subsidiary SADV.

(In number of shares)	*Ordinary shares*
Outstanding at 1 January 2018	**82,875,000**
Issues of shares for cash in FY 2018	-
Outstanding at 31 December 2018	**82,875,000**
Nominal value	**100 Dirhams**

During the first half of 2018, Banque Centrale Populaire (BCP), a shareholder in OCP S.A., sold 0.82 % (681,538 shares) of its capital held in OCP S.A. to its subsidiary Socinvest. This sale was completed with the use right on January 1st, 2018.

12.2 PERPETUAL SUBORDINATED DEBT

OCP Group closed on May 4th, 2018, a perpetual subordinated bond issue with early repayment and deferred payment options in the amount of MAD 5 billion. This issue by Public offering concerns the issue of 50,000 perpetual subordinated bonds with a nominal value of 100,000 dirhams each.
This transaction enables OCP Group to diversify its sources of financing within the framework of its investment plan to 2025 and is part of the strategy to consolidate its position as world leader. This operation also strengthens the Group's financial structure and supports its transformation while strengthening its credit ratios.

The Group issued:

- MAD 1,058 million to 4.03 % of yield on unlisted tranche A/ reviewable 10 years and listed tranche B/ reviewable 10 years.
- MAD 109 million to 3 % of yield on unlisted tranche C/ reviewable 52 weeks.
- MAD 2,708 million to 4.72 % of yield on unlisted tranche D/ reviewable 5 years.
- MAD 1,125million to 5.08 % of yield on unlisted tranche D/ reviewable 5 years.

This instrument includes the following features:

- Bonds are subordinated securities. The principal and interest related to the bonds constitute unconditional direct commitments without security and subordinate rank.
- At the discretion of the issuer, the payment of the coupon payable may be deferred subject to notification of the shareholders.

If the issuer, at its discretion, has elected to defer the coupon payment payable it is no longer entitled to:

- Declare or pay dividends on shares of the issuer for the current year, pay interest on a tranche of the same rank as the bonds.
- Refund, cancel, buy or redeem securities equal to the bonds, or common shares.

The issue is not rated in accordance with IFRS 9 and considering its characteristics, this instrument is accounted for in equity.

The coupon cost attributable to holders of super-subordinated securities amounted to MAD328 million for the financial year of 2018 compared with MAD180 million for the financial year 2017.

12.3 DIVIDENDS

The MAD 2.478 billion in dividends paid in respect of FY 2018 correspond to a net dividend per share of MAD 30.17.

	31 December 2018	*31 December 2017*
Amount of dividends (in millions of dirhams)	2,478	1,661
Dividend per share (in dirhams)	30.17	20.22

12.4 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent company, OCP S.A., by the weighted average number of ordinary shares outstanding excluding treasury stock.

	FY 2018	FY 2017
Net profit, Group share (in millions of dirhams)*	**5,097**	**4,388**
Average number of shares in circulation as at 31 December	82,875,000	82,875,000
Average number of own shares in circulation during the period	729,300	729,300
Number of shares used for the calculation of income	**82,145,700**	**82,145,700**
Basic and diluted net earnings per share (in dirhams)	**62.04**	**53.41**

*In accordance with IAS 33.19 and 12, adjusted net profit includes the cost of the coupon attributable to holders of subordinated shares issued by the OCP Group (MAD -328 millions).

Note 13 – Relations with the State

The Moroccan State is the majority shareholder of OCP with a 94.12 % stake. As such, the State receives annual dividends in accordance with the company's dividend distribution policy. The dividends to be paid are proposed by the Board of Directors to the General Meeting of Shareholders. Their amount depends on several parameters, in particular the profits made, cash available and the company's financial structure, as well as other factors that the Board of Directors may consider to be relevant.

In 2018, the Moroccan State received dividends net of taxes amounting to MAD 2.48 billion in respect of the distributable profit for financial year 2017.

OCP has been a *Société Anonyme* (public limited liability company) since March 2008. Prior to that date, OCP, as a public enterprise, benefited from the State guarantee for loans taken out with foreign organizations.

Loan subject	*Loan currency*	*Date of loan*	*Amount in millions of dirhams as at 31 December 2018*	*Amount in millions of dirhams as at 31 December 2017*
AFD outstanding loans consolidation	EUR	2005	313	351
Sidi Chennane mining operations	EUR	2002	117	154
Renewal of the sulfur unit circulation tank and supply circuit	EUR	2007	7	8
Renewal of three absorption towers	EUR	2003		1
Acquisition of two hydraulic excavators	EUR	2001	2	4
TOTAL	**EUR**		**440**	**517**

Like all companies located in Morocco, OCP is subject to the tax legislation in force, which requires the payment of duties, taxes and levies to the Moroccan State.

The following table shows the transactions performed with the State or with State-controlled companies for financial years 2017 and 2018:

(In millions of dirhams)	*31 December 2018*		*31 December 2017*	
	State and State-controlled enterprises	*BCP*	*State and State-controlled enterprises*	*BCP*
Interest on investments	64	55	21	18
Utility costs	1,382		1,372	
Other operating expenses	281		360	
Interest on loans	9	83		59
Social charges	503		496	
Transport expenses ONCF	1,088		1,281	
Subscription ONCF / lump-sum contributions	400		400	
Assets and inventories purchases	50		38	

(In millions of dirhams)	*31 December 2018*		*31 December 2017*	
	State and State-controlled enterprises	*BCP*	*State and State-controlled enterprises*	*BCP*
Trade payables	581		848	
Other receivables	911		1,029	
Cash and cash equivalents	2,716	1,841	878	1,533
Investments	3,846	3,560	1,000	
Loans	872	4,111		1,714

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RESUME DU RAPPORT D'AUDIT SUR LES ETATS FINANCIERS CONSOLIDES
EXERCICE DU 1[er] JANVIER AU 31 DECEMBRE 2018

Nous avons effectué l'audit des états financiers consolidés ci-joints de la société OCP S.A., et de ses filiales (Groupe OCP), comprenant l'état de la situation financière consolidée au 31 décembre 2018, le compte de résultat consolidé et l'état du résultat global consolidé, l'état de variation des capitaux propres consolidés et l'état consolidé des flux de trésorerie pour l'exercice clos à cette date, et des annexes aux comptes consolidés contenant un résumé des principales méthodes comptables et d'autres notes explicatives. Ces états financiers consolidés font ressortir un montant de capitaux propres consolidés de MMAD 80.290 dont un bénéfice net consolidé de MMAD 5.602.

La direction est responsable de l'établissement et de la présentation sincère de ces états financiers, conformément au référentiel IFRS tel qu'adopté dans l'Union Européenne.

Notre responsabilité est d'exprimer une opinion sur ces états financiers sur la base de notre audit. Nous avons effectué notre audit selon les Normes de la Profession au Maroc.

A notre avis, les états financiers consolidés présentent sincèrement, dans tous leurs aspects significatifs, la situation financière de l'ensemble constitué par les entités comprises dans la consolidation au 31 décembre 2018, ainsi que sa performance financière et ses flux de trésorerie pour l'exercice clos à cette date, conformément au référentiel IFRS tel qu'adopté dans l'Union Européenne.

Casablanca, le 22 mars 2019

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Exhibit II-53

FLASH

Emprunt : Attijari Finances Corp. et CDG Capital conseillent l'OCP

Par L'Economiste| Le 25/04/2018 - 15:16 | Partager

(/sites/default/files/eco7/public/flash_attijari_tt.jpg)

Attijari Finances Corp. et CDG Capital sont les deux organismes conseils et coordinateurs globaux de l'emprunt obligataire du groupe OCP. Pour rappel, le géant mondial des phosphates compte lever 5 milliards de DH sur le marché. L'opération a reçu le visa de l'Autorité marocaine du marché des capitaux (AMMC). La souscription est réservée aux investisseurs qualifiés de droit marocain et s'étale du 2 au 4 mai 2018 inclus, avec une date de règlement/livraison prévue le 14 mai 2018.

Attijariwafa bank (AWB) et CDG Capital interviennent en qualité de co-chefs de file du syndicat de placement. L'enregistrement de l'opération à la Bourse de Casablanca a été confié à la société de bourse Attijari Intermédiation, alors que la domiciliation et le service financier des titres sont assurés par AWB.

Commentaires

Se connecter

Publier un nouveau commentaire

Loan: “Attijari Finances Corp.” and “CDG Capital” advise the “OCP” (Office Cherifien des Phosphates)

By l’Economiste, 04/25/2018 – 3:16PM – Share

Attijari Finances Corp. and CDG Capital are the two consultants and global coordinators of the OCP group’s bond loan. As a reminder, the world leader of phosphate production is planning on raising 5 billion DH on the market. The operation was approved by the Moroccan Capital Market Authority (MCMA). The subscription is limited to qualified investors under Moroccan law and will run from May 2^{nd} to 4^{th}, 2018 inclusive, with a settlement date scheduled for May 14, 2018.

Attijariwafa bank (AWB) and CDG Capital act as co-lead managers of the underwriting syndicate. The registration of the transaction at the Casablanca Stock Exchange has been entrusted to the brokerage firm “Attijari Intermédiation”, while the domiciliation and financial service of the securities are carried out by AWB.

Exhibit II-54

EN

Attijariwafa bank
ATTIJARI FINANCES CORP

Attijari Finances Corp. is the subsidiary bank of Attijariwafa bank group.

Providing recognised expertise in M &A advisory services (buying and selling consultancy, strategic financial advisory, privatisation consultancy, etc.) and in primary equity market activities (IPO, capital increase, takeover bids, public exchange offers, etc.) and bonds (issue of bonds, quasi-equity, commercial paper, etc.), the merchant bank positions itself as the national and regional leader in Corporate Finance.

Attijari Finances Corp. advises and assists large businesses and corporations, whether national or international, in the context of their strategic and/or market operations.

Become a customer

With multi-sector expertise for over 20 years, the consulting bank provides big businesses and corporations with all advisory activities related to high-profile transactions.

Attijari Finances Corp. is active across all sectors of Corporate Finance, including:

- Mergers and Acquisitions (M&A): preparation and implementation of transfer or merging transactions, whether through acquisitions, mergers, partnership or asset exchange.
- Equity Capital Market (ECM): setting up capital issues for companies, notably through a stock market launch (IPO), capital increase, etc.
- Debt Capital Market (DCM): structuring and issuing of negotiable debt securities for companies (commercial paper, financing company bonds, conventional bonds, subordinated bonds, etc.).
- Financial structuring.
- Privatisations.

Whether in the context of mergers and acquisitions, financial structuring and privatisation, or the activities of Equity and Debt Capital Markets, the consulting bank teams will be able to assist you in the realisation of your transactions as well as in structuring appropriate financing solutions.

In each of the countries in which it is present, the investment bank's expertise in advisory activities also demonstrates proven expertise.

In this context, and fully in keeping with Attijariwafa bank's international strategic vision, Attijari Finances Corp. has established itself in a regional dynamic ensured by its presence in:

The Middle East via Attijari Middle East (AME) based in Dubai.

- Tunisia through its subsidiary Attijari Finances Tunisie (AFT) based in Tunis.
- West Africa via the SGI African stock exchange based in Abidjan.
- Central Africa via SGI ASCA based in Douala.
- The Middle East via Attijari Middle East (AME) based in Dubai.

Head office

Exhibit II-55

State-Owned Enterprises in the Middle East and North Africa

ENGINES OF DEVELOPMENT AND COMPETITIVENESS?

OECD

Annex A

Strategic state-owned enterprises in the MENA region

	Telecom	Finance	Electricity	Oil and gas	Transport	Consumer goods	Construction Real Estate	Infrastructure	Other
Morocco	Maroc Telecom Meditelecom Société nationale de radiodiffusion et de télévision Wana	Société Nationale des Investissements Attijariwafa Baque Crédit Immobilier et Hôtelier Crédit Agricole du Maroc	Office National d'Électricité	Office National des Hydrocarbures et des mines	Royal Air Maroc Office National des Chemins de Fer Autoroutes du Maroc		Compagnie Générale Immobilière	Poste Maroc Office National d'Eau Potable	Office Chérifien des Phosphates ONA Holding
Oman	Oman Telecommunication Company	Bank Dhofar National Bank of Oman Bank Sohar	Electricity Holding Company	Oman Petroleum Development Oman Oil Company Oman Gas Company Oman LNG	Oman Air			Oman Post	Raysut Cement Company Oman Cement Company ORPIC
Saudi Arabia	Saudi Telecom	Samba Financial Group Riyadh Bank Al Rajhi Bank Alinma Bank Al Khalij Commercial Bank Saudi Investment Bank Banque Saudi Francis SABB The Company for Cooperative Insurance	Saudi Electricity Company	Yanbu National Petrochemical Company Saudi Kayan Petrochemical Company National Gas and Industrialisation Company Saudi International Petrochemical Company National Petrochemical Company Rabigh Refining and Petrochemical Company	Saudi Public Transport Company The National Shipping Company of Saudi Arabia Saudi Railways Organization		Saudi Real Estate Company	Saudi Post	Saudi Arabian Mining Company Southern Province Cement Company SABIC Saudi Arabian Fertilizer Company National Industrialisation Company Saudi Industrial Investment Group

Exhibit II-56

Morocco

Morocco's new African ambition

DEVELOPMENT | ARTICLE

SHARE:

The main square of Marrakesh in old Medina, Morocco. Photo: Shutterstock.com

With stable growth, a growing middle class and a policy of national and continental economic expansion focused on expanding sectors such as renewable energy, Morocco is emerging as North Africa's economic leader

28 JANUARY 2016

Fifteen years which changed Morocco

Fifteen years ago, King Mohammed VI faced a sizeable challenge: successfully juggling the need for change with the apparent political and economic inertia in his deeply traditional kingdom.

Today, although there is still much to be done, the country has nevertheless achieved the privileged status of a stable, peaceful Arab nation, governed smoothly by a democratically elected Islamist party. The successful transition from traditional kingdom to a modern global player, envied throughout the Arab and Muslim world, means that today more than ever Morocco is a key force in the region.

Numerous institutional and societal advances have laid the foundation for this stability, while economic reforms have succeeded in improving the day-to-day life of the Moroccan people and positioned the country comfortably and sustainably in the global arena.

> “Morocco has successfully made the transition from traditional kingdom
> to modern global player”

Tweet This

The emergence of national champions

In order to foster the emergence of its long-overlooked middle class, Morocco has refocused its economy through a policy of promoting “national champions” – those large enterprises which are capable of supporting the country’s economic development.

In 2004, the Emergence plan came into being, led by Mounir El Majidi, with the aim of implementing a new model of economic governance alongside Mohammed VI.

Emergence was built around several long-term sectoral plans in the fields of textiles, aeronautics, agriculture and infrastructure. These included the construction of a vast highway network that has grown from 43 miles (70 kilometers) in 1999 to 1,240 miles today; the Tangier-Med Port, which was inaugurated in 2007 and has since created over 30,000 jobs; the high-speed Casablanca-Rabat-Tangiers train link, the first on the African continent, which will open in 2018; as well as the development of one of the world’s biggest solar plants in Ouarzazate, which will be completed in 2020 and will provide almost half of the country’s electricity.

The National Investment Company (SNI), whose major shareholder is the royal holding company, is the catalyst for all of these future investments. It was completely overhauled at the same time as the Moroccan economy, going from a conglomerate with historical holdings in all the companies producing staples such as milk, water, sugar and oil – which it sold between 2012 to 2014 – into a real investment fund, focused on the more capital-intensive sectors of the future: banking, telecommunications, energy, transport and real estate. SNI's bias today is toward non-majority shareholding, in order to create linkages with and among other talented companies in the same sectors. Its mission has been accomplished, and national brands such as Inwi, Nareva, Marjane and Attijariwafa Bank have now been established as symbols of the Moroccan economy.

Another Moroccan economic priority is renewable energy. The kingdom imports almost all of its fossil fuels. Because of this unsustainable situation, Mohammed VI has emphasized the need for the country to switch to new sources of clean energy. As announced by the king at the COP 21 meetings in Paris in December 2015, by the end of the decade, renewables should represent 42 percent of the energy mix (compared with the current 19 percent). Symbolic of this new green path are the Tarfaya wind park, Africa's biggest, and the solar park, among the world's largest, that is currently under construction at Ouarzazate. The COP 22 will be held this year in Marrakech.

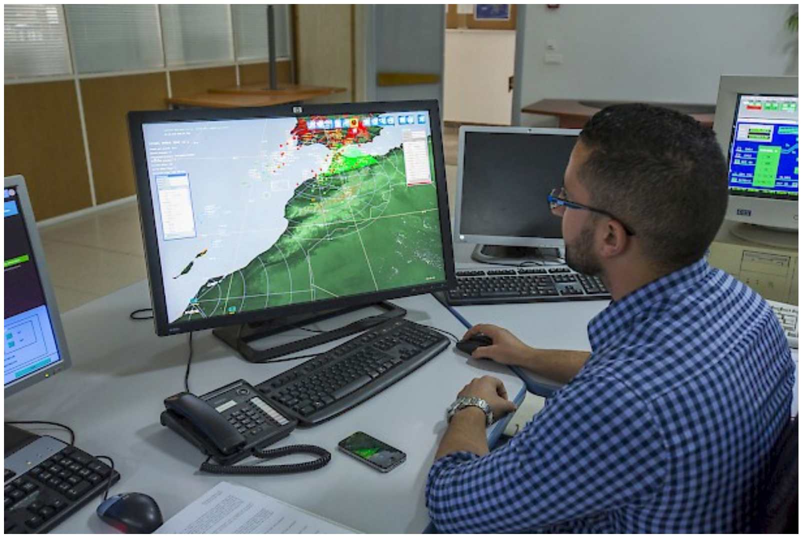
Mounir El Majidi, a key figure

Mounir El Majidi, who was named by King Mohammed VI upon his accession to the throne as head of the royal holding company.

Behind this radical change at the SNI is one man, the unassuming Mounir El Majidi, an entrepreneur whom Mohammed VI, upon his accession to the throne, decided to place in charge of his private secretariat, the royal holding company, the music festival Mawazine and the Royal Football Academy.

This is not an easy mission. Political, financial and economic issues were a key theme during the Arab Spring, and Mounir El Majidi's reputation suffered when a group of his detractors condemned this supposed mix of interests. Despite the difficulties faced by its leader in maintaining a positive public image, the royal holding company is clearly recognized throughout Morocco as an engine of national and pan-African growth.

Morocco's African strategy



Today, 55 percent of Royal Air Maroc's traffic goes to African countries, making Casablanca a regional hub. Photo: Morocco Airports

The transformation of the Moroccan economy is ongoing. Today, the strategy laid out for the country at the highest state level is about to set off on a new phase of development which will see Morocco embark upon a pan-African economic expansion. This strategy is supported by the chamber of commerce and major economic players such as SNI and its shareholdings, which are gradually establishing themselves on the continent. Attijariwafa Bank is now the top banking group in the CFA franc zone by number of branches, and the cumulative economic weight of the five Moroccan banks makes them the major banking force in Africa. Today, 55 percent of Royal Air Maroc's traffic goes to African countries, making Casablanca a regional hub. Morocco is also now the best-connected African country by sea routes, according to a United Nations Conference on Trade and Development (UNCTAD) report, and has seen a 20 percent increase in 2015 in the number of containers going through its ports.

The most recent visits by King Mohammed VI with more than 70 entrepreneurs to sub-Saharan Africa bear witness to the strategy's achievements on the diplomatic and economic levels, and demonstrate the growing Moroccan influence in Africa. More than ever, the development of this South-South cooperation reinforces the role of the Kingdom of Morocco as a major geopolitical player within the continent and on the global economic stage.

Exhibit II-57

THE NORTH AFRICA POST

Morocco’s SNI Changes Name into Al Mada, Gears Activity to Africa

Africa, Business, Headlines, International, Morocco March 28, 2018

AL MADA
Positive Impact

SNI, the largest stakeholder in the Moroccan economy, announced that it has changed its name into Al Mada in tandem with gearing its activity towards becoming a pan-African investment fund.

This change was approved at a meeting of SNI’s board of directors on March 28 in Casablanca, said the company in a statement noting that expanding in Africa was a decision taken in 2014.

Some 6.5 billion dirhams have been invested by former SNI, now Al Mada, in Africa, the company said, adding that now the bulk of the company’s activities are focused on Africa.

Al Mada currently operates in 24 African countries including Benin, Burkina Faso, Cameroun, Côte d’Ivoire, Egypt, Ethiopia, Gabon, Guinea Conakry, Equatorial Guinea, Mali, Mauritius, Mauritania, Niger, CAR, DRC, Congo Brazzaville, Rwanda, Senegal, Sudan, Chad, Togo and Tunisia. It also operates in Belgium, France and the United Arab Emirates.

In 2013, SNI started withdrawing its activities from the food industry. It sold its stakes in dairy firm Centrale Laitière to French partner Danone, and the remaining 50 percent holding in biscuit maker Bimo to Kraft Heinz Company. It also sold the sole operator in Morocco’s sugar industry, Cosumar, in 2015.

Al Mada now plans to focus its growth strategy on sectors such as tourism, telecoms and renewable energy and to expand in Africa.

Rabat has recently launched a major renewable energy development plan, designed to turn the North African country into a main supplier of clean electricity to Europe. SNI’s subsidiary Nareva has been a major player in the plan with heavy investment.

SNI is the main shareholder in some of the country’s biggest firms, including AttijariWafa Bank, miner Managem, energy firm Nareva, cement company Lafarge Maroc and Marjane, Morocco’s main supermarket chain.

POSTED BY NORTH AFRICA POST

North Africa Post's news desk is composed of journalists and editors, who are constantly working to provide new and accurate stories to NAP readers.

TAGGED WITH Al Mada Morocco pan-African investment fund SNI

Exhibit II-58

Attijariwafa bank
التجاري وفا بنك

Annual report and corporate social responsibility report 2017

Supporting government-sponsored corporate programs

Attijariwafa bank has supported various government-sponsored programs in Morocco for many years. In 2017, Attijariwafa bank lent its support to 33% of the companies accredited under Morocco's SME programs such as « Istitmar Croissance », which subsidises small businesses up to a maximum of 30% of their investment or up to MAD 2 million and 'Imtiaz Croissance', which helps small businesses access funding by providing a subsidy of up to MAD 10 million.

Shoulder to shoulder with Moroccan farmers

This year, once again, Attijariwafa played an active role in the International Agriculture Show in Morocco (SIAM). Its participation is part-and-parcel of the Group's proactive policy of supporting every segment of the agricultural sector and agribusiness. The El Kheir Plan, which is a tailor-made offer aimed exclusively at the agricultural sector, illustrates the Group's commitment. The Plan consists of solutions which have been specifically adapted for funding agricultural investment, co-financing schemes to help farmers invest and develop their export business, pre-financing state subsidies and a finance package to help with agricultural harvests and operational needs. The Plan is primarily focused on eight sub-sectors with strong growth potential: vegetable production, citrus production, arboriculture, olive production, wine growing, date palm cultivation, dairy, red meat production and industrial crop production.

Contributing to developing Morocco's foreign trade

As part of the national E-GOV program, Attijariwafa bank Group signed an agreement with the Directorate-General of Customs and Indirect Taxes (ADII) to provide import-export customers with a solution enabling them to securely dematerialise customs guarantees in relation to accounts subscribed under customs control arrangements via its online automated customs clearance system for merchandise (BADR). This national digitisation project, entirely consistent with Attijariwafa bank's « Energies 2020 » strategic plan, has incited the Group to expand its range of secure remote banking solutions for corporate customers to enable them to dematerialise payments, meet administrative requirements and carry out international transactions via Online Trade and Attijarinet Entreprise.

Financing cornerstone projects

Attijariwafa bank Group's commitment to the real economy is also reflected in the way in which it actively contributes to the success of sector-specific programs in those countries in which it has operations. In 2017, the Group signed a number of financing agreements totalling more than MAD 3.5 billion in some of the economy's strategically-important sectors. These include the energy, transport, education, hospitality, property and automotive industries.

MAD 3.5 billion
of fresh funding for
major projects

Exhibit II-59

التجاري وفا بنك
Attijariwafa bank

Believe in you

ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT

2 0 1 6

ENERGIES 20/20

Agreements and partnerships

Attijariwafa bank has established an assertive and proactive policy of building strategic partnerships. The Bank is constantly striving to forge strong ties with public and private entities. Based on knowledge transfer, sharing resources and expertise and joint development, these partnerships enable the Bank to generate synergies with its partners so as to realise its strategic goals, achieved by promoting banking inclusion, encouraging entrepreneurship and funding major infrastructure projects in Morocco and in Africa.

Attijariwafa bank, a trusted partner in developing the domestic economy

Attijariwafa bank's commitment to developing the domestic economy is unfailing. The Bank wholeheartedly supports the major government-backed programmes. In 2016, the Bank was chosen as a trusted partner to support 'Auto Emploi', a recently initiated programme by the Ministry of Industry, Trade, Investment and the Digital Economy to support auto-entrepreneurship.

Attijariwafa bank and Barid Al Maghrib, a longstanding agreement in support of auto-entrepreneurship

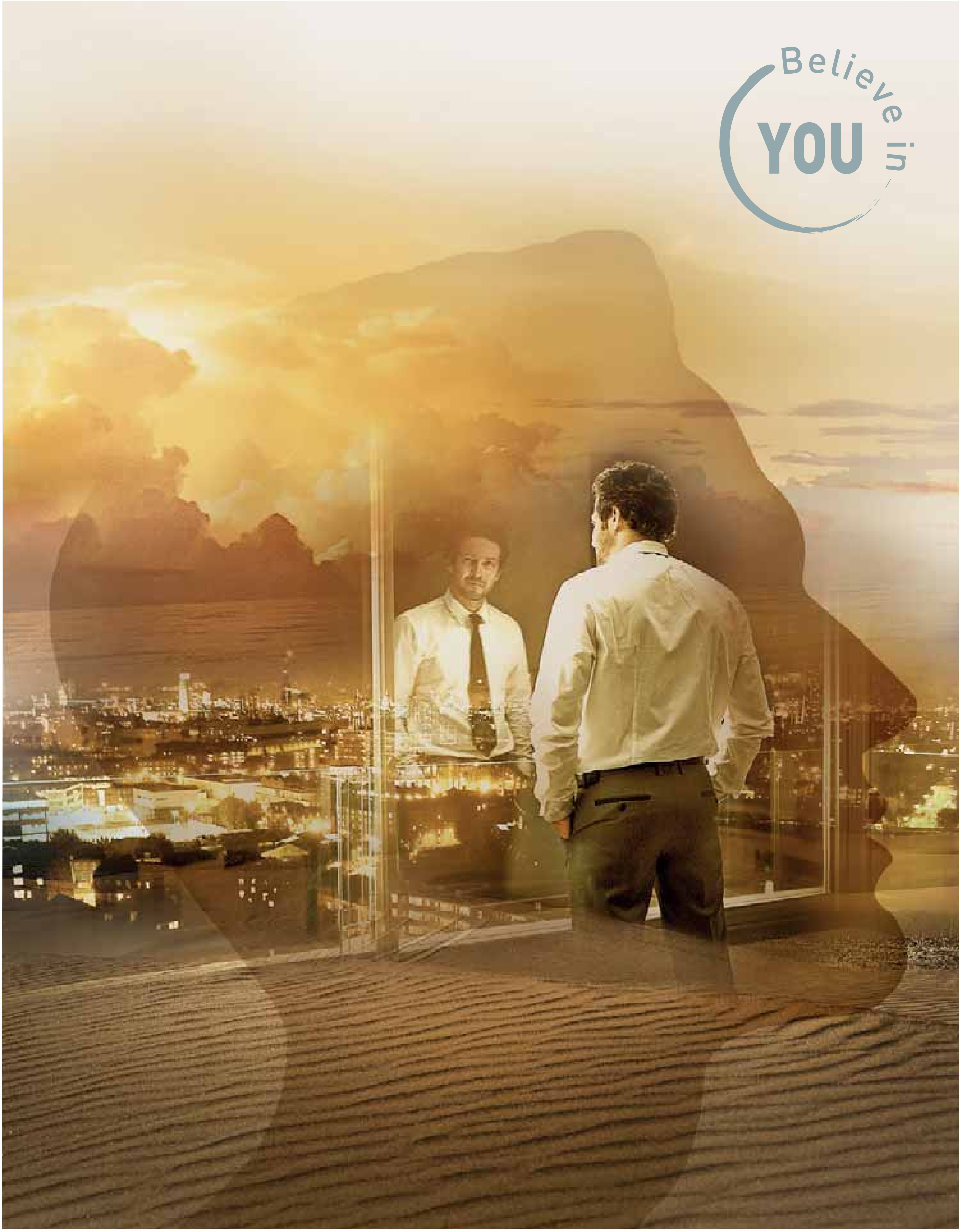
In January 2016, Attijariwafa bank and Barid Al Maghrib signed a partnership agreement which authorises the Bank to register auto-entrepreneurs on the national register. Barid Al Maghrib, which is responsible for managing the national register of auto-entrepreneurs, has given Attijariwafa bank access to its systems, so that the latter may register auto-entrepreneurs from any of its bank branches or from a Wafacash branch.

Exhibit II-60

Attijariwafa bank
التجاري وفا بنك

Believe in you

ANNUAL REPORT 2015



Believe in YOU

By supporting cornerstone public and private sector projects, Attijariwafa bank group **makes a significant** contribution to the economic development of Morocco and the African continent.

Its policy is consistent with that of governments across the region. It is developing appropriate **financing methods and vehicles** by bringing together entities which have common interests, signing international partnerships and setting up specialised investment funds. By acting as a catalyst for economic growth, Attijariwafa bank group is playing a key role in the continent's development.

Exhibit II-61

ÉCONOMIE ET FINANCE

OCP’s MAD 5 billion bond issue, 311% oversubscribed!

LE 31 MAI 2018

Last week, OCP issued a MAD 5 billion perpetual subordinated bond. The subscription period ran from 2 May to 4 May 2018.

OCP's perpetual subordinated bond issue was 311% oversubscribed with applications received for as many as 155,480 securities versus the 50,000 on offer.

All subscriber categories were catered for with a higher pro-rata allocation granted to mutual funds. The latter, which had subscribed for 122,480 securities, were awarded 22,000 i.e. MAD 2.2 billion or 44% of the offering.

The other institutional investors accounted for the remaining 56% with the following breakdown: pension funds 22.6%, Caisse de Dépôt et de Gestion, which alone accounted for 20%, banks 9.4% and insurance companies 4% only.

The results of the offering also reveal that OCP's allocation by tranche was consistent with its interest rate risk calculations. Pride of place given to the longer-dated tranches as can be seen from the manner in which the MAD 5 billion worth of subscriptions was allocated.

Demand for Tranche C, which has an annually adjustable interest rate, exceeded MAD 10 billion but only MAD 109 million was allocated to it.

Demand for Tranche E, with a 20-year maturity, totalled MAD 1.125 billion and was fully met, followed by Tranche D, with a 15-year maturity, which was satisfied to the tune of 84.4%.

As far as unlisted Tranche A was concerned, with a 10-year maturity, just under 90% of subscriptions were met, totalling MAD 875 million dirhams. This was not the case for Tranche B, identical but listed, which garnered just MAD183 million.

This second perpetual subordinated bond issue, similar to the MAD 2 billion issue of 2016, has to be seen in the context of OCP Group's corporate strategy.

The offering was proposed by OCP's Board of Directors of 14 March 2017 and approved by the Ordinary General Meeting of 22 June 2017.

This domestic bond issue, comprising several tranches, with principal of up to 5 billion dirhams (MAD 5,000,000,000), took the form of perpetual subordinated notes, listed and unlisted, with the risk premium increased at each ratchet up date. The purpose of the 2018 perpetual bond issue was the same as that previously issued, which was to continue financing the Group's investment programme.

This is entirely in keeping with the Group's corporate growth strategy, adopted in 2008, which aims to position OCP as market leader in its industry.

Three fundamental pillars underpin OCP's strategy, which is designed to not only develop the business but to transform it, as follows:

To enhance its status as a globally competitive enterprise by asserting leadership on both the cost front and in terms of production capacity and, above all, by adopting a flexible and nimble approach to both manufacturing and sales.

along the entire value chain, and increase the Group's penetration of every importing region and the largest markets around the world.

The investment programme is designed to be modular and flexible and to be implemented in phases, the first of which was completed in early 2018.

This first phase, which was focused on the Khouribga-Jorf Lasfar northern axis, consisted of bolstering extraction, beneficiation and production capacity at the Khouribga mine, which now stands at 44 million tons.

Likewise, for the Jorf-Lasfar chemicals platform, which now has a production capacity of 12 million tons, after construction of 4 additional fertiliser production units, JFC1, JFC2, JFC3, JFC4 (JFC stands for Jorf Fertiliser Complex).

During this first phase of OCP's industrial plan, a supply pipeline linking the Khouribga mine to the Jorf Lasfar platform was built, to be able to transport the washed rock as pulp and to enable it to be transformed automatically in the different units.

This pipeline has generated savings in terms of transportation and energy costs, resulting in lower production costs.

The capacity at the Jorf Lasfar port was also expanded to allow for larger loads. A seawater desalination unit for industrial processes was built, thereby preserving the water table.

Such developments are designed to diversify OCP's product portfolio and satisfy the needs of an increasingly broad range of customers by offering specific products, which are available in more than 40 formulas that have been developed to date.

Over the past 10 years (2008-2018), OCP Group has spent nearly MAD 75 billion in implementing Phase 1. The majority of the investment has been made over the past 5 years.

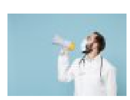
The forthcoming second phase will focus on the central axis (Gantour-Safi) and the southern axis (Phosboucraa) and will also aim to optimise production in a similar way to that achieved along the northern axis.

OCP is financing this major investment programme by debt as well as equity financing.

The programme is being strictly monitored by two credit rating agencies, Fitch Ratings and Standard & Poor's, which are reviewing the financial strength of Morocco's largest industrial group very closely.

POUR ALLER PLUS LOIN

Pourquoi le Maroc n'échappera pas à la spirale de l'endettement public



Coronavirus, le temps des faux prophètes...

The main role of both agencies is to ascertain and gauge the Group's solvency as an issuer.

In particular, this type of very long-term finance enables the issuer to bolster its capital structure and meet the capital requirements of its rating agencies.

So much so that, so as to maintain the same level of long-term finance as part of the company's capital structure, OCP intends to finance any eventual redemption of this bond, at the time of redemption, by issuing either equity securities or *pari passu*-ranked securities on terms that are at least equivalent to the redeemed securities' level of capital, as mentioned in the prospectus.

The issue's features:

OCP's perpetual subordinated bond offering comprises five tranches. Each tranche has a ceiling of MAD 5,000,000,000 (five billion dirhams) and a nominal value of MAD 100,000.

The unlisted Tranche A has an interest rate that is adjustable every 10 years and a first repayment option on its 10th anniversary.

Tranche B, which is listed on the Casablanca Stock Exchange, also has an interest rate that is adjustable every 10 years and a first repayment option on its 10th anniversary.

The unlisted Tranche C has an interest rate that is adjustable annually and also a first repayment option on its 10th anniversary.

The unlisted Tranche D has an interest rate that is adjustable after 15 years for the initial period preceding the first repayment option and every 10 years thereafter, with a first repayment option on its 15th anniversary.

Lastly, the final unlisted Tranche E has an interest rate that is adjustable every 20 years and a first repayment option on its 20th anniversary.

The total amount raised from the five tranches shall not under any circumstance exceed the sum of MAD 5,000,000,000 (five billion dirhams). For each tranche, the ceiling is MAD 5,000,000,000 with a maximum number of 50,000 perpetual subordinated bonds, each with a nominal value of MAD 100,000, being the maximum number of shares permitted.

Careful consideration has been given to the chosen rate of interest for each tranche to enable each investor category to make a choice on the basis of the terms of their liabilities.

As a result, for the unlisted A and listed B tranches, the interest rate is adjustable every 10 years, benchmarked against the 10-year rate, determined on the basis of primary market Treasury bond yields with the same maturity as of 27 March 2018 i.e. 3.23% for the initial 10 years, plus a risk premium of between 80 basis points and 100 basis points i.e. between 4.03% and 4.23%.

This rate is fixed for the first 10 years, in the knowledge that the first repayment option date is 14 May 2028. However, the perpetual bond's repayment option is hypothetical since the issuer may not in fact exercise it in exchange for offering a step-up, that is to say, an increase in the rate of interest rate which will be, as of 14 May 2028, +25 basis points for the unlisted tranches and, as of 14 May 2048, an additional step-up of +75 basis points premium of between 75 basis points and 90 basis points i.e. between 3.0% and 3.2% for the first year. It is worth recalling that its first repayment option is 14 May 2018.

Tranche D, also unlisted, has an interest rate that is adjustable after 15 years until the first repayment date and adjustable every 10 years thereafter.

Its interest rate is adjustable, benchmarked against the 15-year rate, determined on the basis of primary market Treasury bond yields with the same 15-year maturity as of 13 March 2018 i.e. 3.67%, for the first 15 years, plus a risk premium of between 100 basis points and 125 basis points i.e. between 4.72% and 4.92% for the first 15 years. Its first repayment option will be 14 May 2033.

As of 14 May 2033, a first step-up (rate increase) of +25 basis points will be proposed by OCP, another of +25 basis points on 14 May 2038, and on 14 May 2053, an additional step-up of +75 basis points.

Lastly, Tranche E, also unlisted, has an interest rate that is adjustable every 20 years, benchmarked against the 20-year rate, determined on the basis of primary market Treasury bond yields with a 20-year maturity as of 27 March 2018 i.e. 3.98%, for the first 20 years, plus a risk premium of between 110 basis points and 130 basis points i.e. between 5.08% and 5.28% for the first 20 years with a first repayment date of 14 May 2038.

Of course, from 14 May 2038, a first step-up (rate increase) of +25 basis points will be introduced, a second from 14 May 2058, with an additional step-up of +75 basis points.

The perpetual subordinated notes are allocated by auction, which enables the issuer to select subscriptions that best match the rating agencies' requirements as well as complying with the same requirements as for OCP's international offerings, as a result of which the company has become a benchmark in terms of its risk profile.

Therefore, Tranche E's interest rate is adjustable every 20 years, Tranche D every 15 years, Tranches A and B every ten years. Only Tranche C has a rate that is adjustable annually.

As a result, OCP is able to minimise the interest rate risk arising at each revision date…

Afifa Dassouli

Original article : https://lnt.ma/lemission-obligataire-docp-de-5-mrdh-sursouscrite-a-311/

Exhibit II-62

S&P Global Ratings revised outlook on OCP SA to negative and affirmed at "BBB-" (Local Currency LT) credit rating

October 17, 2018 | CBonds

S&P Global Ratings affirmed the "BBB-" Local Currency LT credit rating of OCP SA on October 16, 2018. At the same time the rating agency revised outlook to negative from stable.

Company: OCP SA

Full company name	Office Cherifien des Phosphates SA
Country of risk	Morocco
Country of registration	France
Industry	Chemical and petrochemical industry

Share:

Similar news:

- Fitch Ratings downgrades LT Int. Scale (foreign curr.) credit rating of OCP SA to "BB+"; outlook negative
- Fitch Ratings affirms OCP SA at "BBB-" (LT Int. Scale (foreign curr.) credit rating); outlook stable
- S&P Global Ratings revised outlook on OCP SA to stable and affirmed at "BBB-" (Local Currency LT) credit rating
- S&P Global Ratings revised outlook on OCP SA to stable and affirmed at "BBB-" (Foreign Currency LT) credit rating
- Fitch Ratings revised outlook on OCP SA to stable and affirmed at "BBB-" (LT Int. Scale (foreign curr.)) credit rating

Exhibit II-63

OCP Group

Financial Ratios	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current Ratio	2.78	3.55	2.36	3.98	3.03	1.98	1.28	1.63	1.62	1.35	2.23	1.80
Quick Ratio	0.58	0.69	0.46	0.96	2.19	0.97	0.84	0.98	0.95	0.72	1.49	1.02
Debt to Total Assets Ratio	0.73	0.67	0.61	0.51	0.45	0.46	0.55	0.55	0.52	0.52	0.51	0.53
Debt to Equity Ratio	2.70	2.06	1.58	1.04	0.83	0.87	1.23	1.22	1.10	1.09	1.02	1.12
Cash Flow Coverage Ratio	-0.11	0.00		0.40	0.27	0.14	0.12	0.11	0.12	0.10	0.09	0.14
Return on Equity	1.73	0.08	0.36	0.44	0.26	0.13	0.09	0.13	0.05	0.06	0.07	0.04

Descriptions of Ratios

Current Ratio: Relative measure of short-term solvency.
Quick Ratio: Measure of the company's ability to cover its current liabilities with cash and highly-liquid assets (excludes at least inventory and prepaid expenses).
Debt to Total Assets Ratio: Measure used to assess the risk that the company will become insolvent in the long-run.
Debt to Equity Ratio: Liquidity ratio that compares a company's total debt to total equity. A higher debt to equity ratio indicates that more creditor financing is used than investor financing.
Cash Flow Coverage Ratio: Shows ability of company to pay its debt from the cash it generates from its operations. A low ratio can indicate too much debt and/or poor cash generation.
Return on Equity: ROE is the amount of net income returned as a percentage of shareholder's equity. Return on equity measures a firm's profitability by revealing how much profit a company generates with the money shareholders have invested.

OCP Group

Financial Data *(in millions of MAD)*	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Statement of Profit and Loss												
Net profit for the period	23,414	1,283	8,850	16,332	13,641	7,087	5,073	8,010	3,780	4,689	5,602	3,016
Net profit for the Group	23,414	1,283	8,850	16,332	13,641	7,087	5,077	8,011	3,779	4,567	5,425	2,843
Statement of Cash Flow												
Net Cash Flow from Operating Activities	-3,968	-6	unknown	15,567	11,427	6,440	8,635	8,372	9,463	8,345	7,700	11,996
Balance sheet												
Total Current Assets	37,257	35,465	45,163	53,727	53,443	41,277	38,928	42,812	41,629	37,711	55,669	52,323
Cash and cash equivalents	1,372	1,476	2,085	2,823	9,390	5,440	8,996	9,246	11,017	8,419	17,141	13,487
Cash financial assets					18,142	4,627	4,767	7,097	4,885	2,709	5,654	573
Inventories	6,775	6,236	5,671	8,970	6,990	7,832	9,039	10,224	9,956	10,343	13,213	14,996
Trade receivables (customer account	5,243	4,352	5,696	7,682	6,644	3,946	6,564	5,569	5,269	6,276	10,659	9,133
Provisions trade receivables					-74	-104	-152	-160	-222	-240	-380	-991
Receivables from suppliers, advances and payments on accounts	1,114	1,085	1,037	2,463	4,519	6,252	5,488	4,016	3,414	3,047	4,107	7,472
Personnel and payroll	7	50	58	75	41	35	49	47	44	58	75	67
Social agencies and organizations	70	154	644	232	178	189	145	145	213	268	277	284
Government/State (excluding corpor	3,263	3,657	3,287	4,381	6,234	10,980	3,069	5,802	5,200	5,703	4,610	6,945
Tax receivables and defered taxes	608	501	928	2,152				46	896	106	34	39
Other (incl. debtors, accruals, shareholder's accounts)	487	842	711	841	307	928	741	779	957	1,021	280	317
Current tax receivables					1,053	1,152	222					
Investments	18,260	17,087	24,997	24,094								
Currency adjustments	58	25	49	14								
Total Non-Current Assets	12,969	15,736	18,072	22,078	41,185	61,079	89,319	99,027	109,283	116,293	106,788	114,540
Total Assets	50,226	51,201	63,235	75,805	94,628	102,356	128,247	141,839	150,912	154,004	162,457	166,863
Total Current Liabililites	13,413	9,985	19,098	13,504	17,620	20,830	30,461	26,298	25,670	27,991	24,939	29,014
Total Non-Current Liabilities	23,251	24,449	19,628	25,068	25,199	26,658	40,196	51,763	53,436	52,184	57,230	59,223
Total Liabilities	36,664	34,434	38,726	38,572	42,819	47,488	70,657	78,061	79,106	80,175	82,169	88,237
Total Shareholders Equity	13,562	16,741	24,486	37,212	51,808	54,867	57,590	63,778	71,805	73,830	80,290	78,627
Notes:	*Total Current Liabilities is the TOTAL II (G+H+I) and Bank creditor balance of Liabilities, p 36. Non-current liabilities is financing debts, sustainable provisions for liabilities and charges, and currency translation. Shareholder's equity is "total equity capital" at p. 36 .Total liabilities = Total Assets - Shareholder's Equity. Non-current liabilities = Total liabilities - Current Liabilities.*	*Total Current Liabilities is the TOTAL II (G+H+I) and Bank creditor balance of Liabilities, p 36. Non-current liabilities is financing debts, sustainable provisions for liabilities and charges, and currency translation. Shareholder's equity is "total equity capital" minus assimilated shareholder's equity at p. 36 .Total liabilities = Total Assets - Shareholder's Equity. Non-current liabilities = Total liabilities - Current Liabilities.*	*Total Current Liabilities is the TOTAL II (G+H+I) and Bank creditor balance of Liabilities, p 36. Non-current liabilities is financing debts, sustainable provisions for liabilities and charges, and currency translation. Shareholder's equity is "total equity capital" minus assimilated shareholder's equity at p. 36 .Total liabilities = Total Assets - Shareholder's Equity. Non-current liabilities = Total liabilities - Current Liabilities.*	*Total Current Liabilities is the TOTAL II (G+H+I) and Bank creditor balance of Liabilities, p 36. Non-current liabilities is financing debts, sustainable provisions for liabilities and charges, and currency translation. Shareholder's equity is "total equity capital" minus assimilated shareholder's equity at p. 36 .Total liabilities = Total Assets - Shareholder's Equity. Non-current liabilities = Total liabilities - Current Liabilities.*								
Sources:	*OCP 2009 Annual Repo*	*OCP 2009 Annual Repo*	*OCP 2011 Annual Report.*	*OCP 2011 Annual Report. Net cash flow from operating activities retrieved from an OCP 2014*	*OCP Consolidated Financial Statements at December 31, 2014.*	*OCP Consolidated Financial Statements at December 31, 2014.*	*OCP Consolidated Financial Statements at December 31, 2014.*	*OCP Group Consolidated Financial Statements Q4 2016. December 31, 2016*	*OCP Group Consolidated Financial Statements Q4 2016. December 31, 2016*	*OCP Group Consolidated Financial Statements Q4 2017. December 31, 2017*	*OCP Group Consolidated Financial Statements Q4 2018 December 2018, and Q4 2019*	*OCP Group Consolidated Financial Statements at 4 2019, for the year ended*

Exhibit II-64

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms OCP at 'BBB-'; Outlook Stable

Fri 01 Nov, 2019 - 3:39 PM ET

Fitch Ratings - London - 01 Nov 2019: Fitch Ratings has affirmed Morocco-based phosphate producer OCP S.A.'s (OCP) Long-Term Issuer Default Rating (IDR) at 'BBB-'. The Outlook on the IDR is Stable. The agency has simultaneously affirmed the group's senior unsecured rating at 'BBB-'.

The 'BBB-' IDR of OCP incorporates a one-notch uplift for state support (Morocco, BBB-/Stable) from its 'bb+' standalone credit profile (SCP), in line with Fitch's Government Rated Entities (GRE) rating methodology. The 'bb+' SCP reflects a strong business profile underpinned by OCP's vertical integration, competitive cost position, exceptionally large ore reserves and leading market positions. It also factors in a weak, albeit improving, financial profile, primarily due to sizeable debt-funded expansionary investments.

OCP's credit metrics offer limited headroom for unforeseen cash outflows in 2019-2020 under our base case with funds from operations (FFO)-adjusted net leverage forecast at 2.8x vs. our 3.0x negative sensitivity. The Stable Outlook captures our opinion that the group would have the flexibility and willingness to scale back investments should cash flows come under pressure. We forecast a gradual improvement in financial headroom from 2021 onwards on the back of lower expansionary capex, higher volumes and moderate pricing improvements.

KEY RATING DRIVERS

Deleveraging with Limited Headroom: FFO-adjusted net leverage was 2.7x at end-2018 vs. 2.2x forecast in our previous base case, reflecting a solid but weaker-than-expected operational performance in 2018. We forecast the ratio at 2.8x at end-2019 and at end-2020 before deleveraging to 2.4x and below from 2021 onwards. While these credit metrics remain within our 3.0x negative sensitivity for the rating, they offer limited headroom for unforeseen cash outflows in the next two years and we assume that any material pressure on cash flows would be met with cutbacks in expansionary capex. Our base case projects capex peaking at MAD15 billion in 2020 compared with an average MAD11 billion over 2015-2019.

Operational Flexibility Supports Resilience: The completion of the first phase of OCP's expansion programme resulted in enhanced production flexibility, allowing the group to adjust its output and sales strategy to take advantage of shifts in market dynamics for its key products, phosphate rock, phosphoric acid and phosphate derivatives. This supported a 15% increase in revenues in 2018 as the group captured strong pricing conditions for phosphoric acid, along with the benefit of additional fertiliser volumes at the Jorf Lasfar units. Fitch-adjusted EBITDA margin was 29.8%, up from 25.5% in 2017 but lower than our 32% forecast due to higher-than-expected costs.

Growth to Resume in 2020: For 2019, we assume no revenue growth, reflecting weaker market conditions with pricing pressure offset by higher volumes in phosphoric acid and fertilisers. EBITDA margin is forecast to remain flat yoy. Our base case continues to assume that growth beyond 2019 will be driven by a moderate improvement in prices and a gradual increase in fertiliser and phosphate rock volumes, with supply of merchant rock adjusted to market conditions. This should translate into high single-digit growth in revenues and EBITDA margins in the 30%-33% range.

Rating Linkage with Morocco: Under our GRE methodology, OCP scores 22.5 for overall support, which maps to a one-notch uplift. This reflects Fitch's view that the group would likely receive exceptional support from the state if its financial profile weakens to the extent where its ability to maintain its expansionary efforts or refinance its debt is threatened. In our opinion, this assessment is supported by OCP's completion of the first phase of its strategic investment programme as well as its status as Morocco's largest non-financial corporate issuer of international bonds. This also reflects that despite its 94% state ownership, OCP is run as an independent profit-oriented entity with no legal ties to the state.

Phosphate Prices to Bottom Out: Diammonium Phosphate (DAP) prices fell below our previous 2019 assumptions as poor weather conditions in the US, weaker application rates in China and lower ammonia prices exacerbated the effect of the Ma'aden capacity ramp-up. We expect prices to bottom out in 2020 as oversupply starts to ease and high inventories in import markets are liquidated. From 2020, higher ammonia input prices should push non-integrated producers' costs up and support higher DAP prices.

VAT Credit Build-up Unlikely to Recur: Our base case assumes that the buildup of sizeable VAT claims against the state, which exacerbated the deterioration in OCP's credit metrics in 2016-2017, will not be repeated. The group accounted for roughly half of the state's total overdue VAT credit liabilities in 2018 (1.8% of GDP), due in large part to its investment programme. In May 2017, the tax regime for capital investments was amended to exempt existing companies for sums of MAD100 million and above. As a result, OCP's VAT credit claims should be materially lower in the new wave of capex. The government is also implementing a series of measures to digitalise and simplify the reimbursement procedures and reduce delays.

VAT Credit Factoring Scheme: The build-up of large VAT credit arrears by the Moroccan state exacerbated the impact of weak market conditions and large debt-funded expansionary investments on OCP's leverage. In 2018, the government secured long-term factoring facilities from banks to settle the VAT credit claims of state-owned entities, including OCP. In return, OCP will be responsible for servicing interest payments on the factoring facilities used to refund the group's VAT claims. The interest payments, which are due over nine years, amount to MAD4.2 billion and were pre-funded in the MAD20.5 billion cash OCP received in October 2018 to settle the VAT arrears. Fitch treats the MAD4.2 billion of capitalised interest as debt, in line with OCP's reporting. Leverage was restored to 2.7x at end-2018, down from 5.5x and 4.7x at end-2016 and end-2017 respectively as a result of the transaction.

Capex Offers Flexibility: Our base case assumes that capex peaks at MAD15 billion in 2020. The second phase of the programme is no longer expected in the form and timing envisaged 10 years ago. We assume capex at around MAD11 billion beyond 2020, i.e. well above maintenance levels, to support granulation and phosphoric acid capacity increases, logistics and debottlenecking exercises. Along with dividend distributions, this translates into negative FCF until 2021, but OCP has demonstrated its ability to scale back investments should operating cash flows come under pressure.

Cadmium Restrictions: In June 2019, the European Parliament and the European Council brought in a new regulation on fertilisers sold in the EU, including a limit of 60mg cadmium per kg of phosphorus pentoxide (cd/kg P2O5) from 2022, and voluntary green labelling for fertilisers with less than 20 mg cd/kg P2O5 starting this year. The 60 mg Cd/kg P2O5 limit will be reviewed in 2026 by the European Commission. Sedimentary phosphate rock deposits such as OCP's have high cadmium content and previous iterations of the proposed restrictions had considered gradually reducing the limits to below 40mg, which could have affected OCP's capacity to export to the EU, its third-largest market at 20% of sales in 2018.

We understand from the group that its products are currently fully compliant with all aspects of the new regulation and that it has been actively working on cost-effective ways to address these changes including two pilots for de-cadmiation technology and selective mining of layers with lower cadmium content.

DERIVATION SUMMARY

OCP's 'BBB-' rating incorporates a one-notch uplift for state support in line with Fitch's GRE methodology. Its SCP is constrained by high leverage but its business profile is strong and commensurate with peers in the 'BBB' category, given its vertical integration, competitive cost position, exceptionally large ore reserves, and leading market positions. Following the reimbursement of MAD20.5 billion of VAT credit arrears, the group's FFO adjusted net leverage is expected to gradually decline to around 2.4x by 2021.

Peers include Russia-based PJSC PhosAgro (BBB-/Stable), and EuroChem AG (BB/Stable), Israel-based Israel Chemicals Limited (ICL, BBB-/Positive) and US-based The Mosaic Company.

Phosagro's rating reflects a leading position as Russia's largest phosphate fertiliser producer, low-cost mining operations, ability to switch between DAP/MAP and complex fertilisers, efficient capex and a conservative financial profile with net leverage sustained below 2.0x through the cycle.

EuroChem benefits from a competitive cost position and, similarly to OCP, is coming out of a phase of expansionary investments which, against the backdrop weak market conditions, has put some pressure on its financial profile. FFO-adjusted net leverage is expected to trend down from an estimated 3.3x at end-2019 as capex levels normalise and FCF turns positive. The ratings of OCP's Russian peers also capture the risks associated with their jurisdictional and business environment.

Israel Chemicals Limited has higher-cost phosphate and potash operations but resilient specialty chemicals underpinning stable margins through the cycle. The group has focused on debt reduction and net leverage is expected to drop below 2.5x.

US peer The Mosaic Company benefits from its market position as the largest integrated fertiliser producer with a presence across potash and phosphate, good cost control and long mines lives. Net leverage peaked as a result of the acquisition of Vale Fertilizantes and is expected to decline on the back of positive FCF generation.

KEY ASSUMPTIONS

- Volumes for 2019 in line with 2018, then growing 8%-9% per annum over 2020-2022;

- Phosphate rock price stable at USD95U/t (Fitch's deck); Average fertilisers price at USD350/t in 2019, USD360/t in 2020, USD380/t in 2021 and USD390/t in 2022 (Fitch's deck); Phosphoric acid price to increase by USD100/t by 2022;

- EBITDA margins at 30% for 2019, gradually increasing to 32.5% in 2022;

- Capex at MAD12 billion in 2019, MAD15 billion in 2020 and MAD11 billion in 2021 and 2022; and

- Annual dividends ranging between MAD2.7 billion and MAD4.7 billion up to 2022.

RATING SENSITIVITIES

OCP

Developments That May, Individually or Collectively, Lead to Positive Rating Action

- FFO adjusted net leverage sustainably below 2.5x

Developments That May, Individually or Collectively, Lead to Negative Rating Action

- FFO adjusted net leverage sustainably above 3.0x

- Negative rating action on Morocco

- A weakening in the linkage between OCP and the sovereign, as evidenced by strategic changes or upstreaming of cash (dividend or tax) adverse to the credit standing of the group.

Morocco (see latest rating action commentary dated 11 April 2019)

The main factors that may, individually or collectively, lead to negative rating action are as follows:

- An increase in government debt/GDP, driven by the fiscal stance or a materialisation of contingent liabilities;

- Security developments or social instability affecting macroeconomic performance or external balances or leading to significant fiscal slippages;

- Weakening of medium-term growth prospects leading to a widening of the gap between Morocco's development indicators and the 'BBB' category medians.

LIQUIDITY AND DEBT STRUCTURE

Adequate Liquidity: As of June 2019, OCP held cash and cash equivalent reserves of MAD13.7 billion against short-term debt of MAD7.3 billion. Liquidity was also supported by term deposits of MAD3 billion with maturities of three to six months. Under our base case, FCF is expected to remain negative until 2021 due to high expansionary capex and increasing dividend outflow. We assume that OCP will continue to access domestic and international banks and debt capital markets for its investment and refinancing needs. Furthermore, we believe OCP will be willing and able to tailor capex to match fluctuations in cash flow generation.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

OCP's rating benefits from one notch uplift for support from the sovereign (Morocco BBB-/Stable).

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
OCP S.A.	LT IDR	BBB- ⭘	Affirmed	BBB- ⭘
• senior unsecured	LT	BBB-	Affirmed	BBB-

VIEW ADDITIONAL RATING DETAILS

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Exhibit II-65

Return on Equity – ROE

By MARSHALL HARGRAVE | Reviewed By JULIUS MANSA | Updated Apr 27, 2020

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What Is Return on Equity (ROE)?

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets. ROE is considered a measure of how effectively management is using a company's assets to create profits.

KEY TAKEAWAYS

- Return on equity measures how effectively management is using a company's assets to create profits.
- Whether an ROE is considered satisfactory will depend on what is normal for the industry or company peers.
- As a shortcut, investors can consider an ROE near the long-term average of the S&P 500 (14%) as an acceptable ratio and anything less than 10% as poor.

Return On Equity (ROE)

Understanding Return on Equity (ROE)

common shareholders and after dividends to preferred shareholders and interest to lenders.

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Average Shareholders' Equity}}$$

Net income is the amount of income, net of expense, and taxes that a company generates for a given period. Average shareholders' equity is calculated by adding equity at the beginning of the period. The beginning and end of the period should coincide with the period during which the net income is earned.

Net income over the last full fiscal year, or trailing 12 months, is found on the income statement—a sum of financial activity over that period. Shareholders' equity comes from the balance sheet—a running balance of a company's entire history of changes in assets and liabilities.

It is considered best practice to calculate ROE based on average equity over a period because of the mismatch between the income statement and the balance sheet.

What Does ROE Tell You?
Whether ROE is deemed good or bad will depend on what is normal among a stock's peers. For example, utilities have many assets and debt on the balance sheet compared to a relatively small amount of net income. A normal ROE in the utility sector could be 10% or less. A technology or retail firm with smaller balance sheet accounts relative to net income may have normal ROE levels of 18% or more.

A good rule of thumb is to target an ROE that is equal to or just above the average for the peer group. For example, assume a company, TechCo, has maintained a steady ROE of 18% over the last few years compared to the average of its peers, which was 15%. An investor could conclude that TechCo's management is above average at using the company's assets to create profits. Relatively high or low ROE ratios will vary significantly from one industry group or sector to another. When used to evaluate one company to another similar company, the comparison will be more meaningful. A common shortcut for investors is to consider a return on equity near the long-term average of the S&P 500 (14%) as an acceptable ratio and anything less than 10% as poor.

Using ROE to Estimate Growth Rates
Sustainable growth rates and dividend growth rates can be estimated using ROE, assuming that the ratio is roughly in line or just above its peer group average. Although there may be some challenges, ROE can be a good starting place for developing future estimates of a stock's growth rate and the growth rate of its dividends. These two calculations are functions of each other and can be used to make an easier comparison between similar companies.

To estimate a company's future growth rate, multiply the ROE by the company's retention ratio. The retention ratio is the percentage of net income that is retained or reinvested by the company to fund future growth.

ROE and a Sustainable Growth Rate

shareholders in a dividend, which means company A retains 70% of its net income. Business B also has an ROE of 15% but returns only 10% of its net income to shareholders for a retention ratio of 90%.

For company A, the growth rate is 10.5%, or ROE times the retention ratio, which is 15% times 70%. Business B's growth rate is 13.5%, or 15% times 90%.

This analysis is referred to as the sustainable growth rate model. Investors can use this model to make estimates about the future and to identify stocks that may be risky because they are running ahead of their sustainable growth ability. A stock that is growing slower than its sustainable rate could be undervalued, or the market may be discounting risky signs from the company. In either case, a growth rate that is far above or below the sustainable rate warrants additional investigation.

This comparison seems to make business B more attractive than company A, but it ignores the advantages of a higher dividend rate that may be favored by some investors. We can modify the calculation to estimate the stock's dividend growth rate, which may be more important to income investors.

Estimating the Dividend Growth Rate

Continuing with our example from above, the dividend growth rate can be estimated by multiplying ROE by the payout ratio. The payout ratio is the percentage of net income that is returned to common shareholders through dividends. This formula gives us a sustainable dividend growth rate, which favors company A.

The company A dividend growth rate is 4.5%, or ROE times the payout ratio, which is 15% times 30%. Business B's dividend growth rate is 1.5%, or 15% times 10%. A stock that is growing its dividend far above or below the sustainable dividend growth rate may indicate risks that should be investigated.

Using ROE to Identify Problems

It is reasonable to wonder why an average or slightly above average ROE is good rather than an ROE that is double, triple, or even higher the average of their peer group. Aren't stocks with a very high ROE a better value?

Sometimes an extremely high ROE is a good thing if net income is extremely large compared to equity because a company's performance is so strong. However, an extremely high ROE is often due to a small equity account compared to net income, which indicates risk.

Inconsistent Profits

The first potential issue with a high ROE could be inconsistent profits. Imagine a company, LossCo, that has been unprofitable for several years. Each year's losses are recorded on the balance sheet in the equity portion as a "retained loss." The losses are a negative value and reduce shareholder equity. Assume that LossCo has had a windfall in the most recent year and has returned to profitability. The denominator in the ROE calculation is now very small after many years of losses, which makes its ROE misleadingly high.

Excess Debt

A second issue that could cause a high ROE is excess debt. If a company has been borrowing aggressively, it can increase ROE because equity is equal to assets minus debt. The more debt a company has, the lower equity can fall. A common scenario is when a company

Negative Net Income
Finally, negative net income and negative shareholder equity can create an artificially high ROE. However, if a company has a net loss or negative shareholders' equity, ROE should not be calculated.

If shareholders' equity is negative, the most common issue is excessive debt or inconsistent profitability. However, there are exceptions to that rule for companies that are profitable and have been using cash flow to buy back their own shares. For many companies, this is an alternative to paying dividends, and it can eventually reduce equity (buybacks are subtracted from equity) enough to turn the calculation negative.

In all cases, negative or extremely high ROE levels should be considered a warning sign worth investigating. In rare cases, a negative ROE ratio could be due to a cash flow supported share buyback program and excellent management, but this is the less likely outcome. In any case, a company with a negative ROE cannot be evaluated against other stocks with positive ROE ratios.

ROE vs. Return on Invested Capital
While return on equity looks at how much profit a company can generate relative to shareholders' equity, return on invested capital (ROIC) takes that calculation a couple of steps further.

The purpose of ROIC is to figure out the amount of money after dividends a company makes based on all its sources of capital, which includes shareholders equity and debt. ROE looks at how well a company uses shareholder equity while ROIC is meant to determine how well a company uses all its available capital to make money.

Limitations of ROE
A high ROE might not always be positive. An outsized ROE can be indicative of a number of issues—such as inconsistent profits or excessive debt. Also, a negative ROE due to the company having a net loss or negative shareholders' equity cannot be used to analyze the company, nor can it be used to compare against companies with a positive ROE.

Example of How to Use ROE
For example, imagine a company with an annual income of $1,800,000 and average shareholders' equity of $12,000,000. This company's ROE would be as follows:

$$ROE = \left(\frac{\$1{,}800{,}000}{\$12{,}000{,}000}\right) = 15\%$$

Consider Apple Inc. (AAPL)—for the fiscal year ending Sept. 29, 2018, the company generated US$59.5 billion in net come. At the end of the fiscal year, it's shareholders' equity was $107.1 billion versus $134 billion at the beginning. Apple's return on equity, therefore, is 49.4%, or $59.5 billion / (($107.1 billion + $134 billion) / 2).

Compared to its peers, Apple has a very strong ROE.

- Amazon.com Inc. (AMZN) has a return on equity of 27%
- Microsoft Corp. (MSFT) 23%

Exhibit II-66

Cash Flow Coverage Ratio

Cash Flow Indicator Ratios Print Email

Definition

The **cash flow coverage ratio** is an indicator of the ability of a company to pay interest and principal amounts when they become due. This ratio tells the number of times the financial obligations of a company are covered by its earnings. A ratio equal to one or more than one means that the company is in good financial health and it can meet its financial obligations through the cash generated by operating activities. A ratio of less than one is an indicator of bankruptcy of the company within two years if it fails to improve its financial position.

It is an important indicator of the liquidity position of a company. This ratio is often used by the banks to decide whether to make or refinance any loan.

Calculation (formula)

There are different formulas used for the calculation of this ratio. Some of the most commonly used formulas are given below.

Cash Flow Coverage Ratio = Operating Cash Flows / Total Debt

The figure for operating cash flows can be found in the statement of cash flows. Total debt includes the interest, short-term borrowings, current portion of long-term debt and long-term debt. This ratio shows the ability of a company to pay its debt from the cash it generates from its operations. A very low ratio can be an indication of too much debt or poor cash generation.

Another formula used for the calculation of cash flow coverage ratio is

Cash flow coverage ratio = (Net Earnings + Depreciation + Amortization) / Total Debt

This ratio also has some variations. For example, free cash flows can be used instead of operating cash flows. This will be a more conservative ratio which provides for the capital expenditure. Another variation may be used to include the payments for preferred dividends, non-cancelable financial lease payments, redeemable shares, and rental payments. This will be a more conservative ratio which takes into account more financial obligations.

Share:

See also

- Free Cash Flows / Operating Cash Flows Ratio
- Operating Cash flow / Sales Ratio
- Price/Cash Flow Ratio

Yvonne Hay, 20 May, 2014 Quote

- Debt ratios
- Liquidity ratios
- Profitability ratios
- Asset management ratios
- Cash Flow Indicator Ratios
- Market value ratios
- Financial analysis
- Accounting
- Business Terms
- Audit
- Appraisal
- Taxation
- Financial education
- International Financial Reporting Standards (EU)
- IFRS Interpretations (EU)
- Financial software

Most Wanted Financial Terms

Most Important Financial Ratios

Debt-to-Equity Ratio

Exhibit II-67

CRÉDIT DU MAROC

Crédit du Maroc offers a comprehensive range of retail banking and corporate and investment banking services

338
branches

800.000
customers

2400
staff

Crédit du Maroc is a subsidiary of Crédit Agricole, present in Morocco since 1929. With 2.400 employees, Crédit du Maroc develops the “universal retail banking” concept of Crédit Agricole and is recognized as a major player by individual customers, corporates, and more recently, agri-agro (in total some 800.000 customers). The bank’s “CAP 2020” development plan reflects its two development priorities : operational and relational excellence in customer relations, and synergy development with the Crédit Agricole Group in two directions :

- Corporates / with CACIB, Regional Banks’, and LCL networks
- And in retail markets, with the Group’s business lines which are also present in Morocco (CALF, CACF, Amundi...)

Crédit du Maroc News

(https://www.credit-agricole.com/en/business-lines-and-brands/all-brands)

Exhibit II-68

PROSPECTUS

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

OCP S.A.

(a joint stock company organised and existing under the laws of the Kingdom of Morocco)

U.S.$1,250,000,000 5.625% Notes due 2024

Issue Price: 99.059%

U.S.$300,000,000 6.875% Notes due 2044

Issue Price: 93.992%

The U.S.$1,250,000,000 5.625% Notes due 2024 (the "**2024 Notes**") and the U.S.$300,000,000 6.875% Notes due 2044 (the "**2044 Notes**", or the 2024 Notes, both referred to as the "**Notes**") to be issued by OCP S.A. (the "**Issuer**" or "**OCP**") will mature and be redeemed at their principal amount on 25 April 2024 and 25 April 2044, respectively. The 2024 Notes will bear interest from, and including 25 April 2014 (the "**Issue Date**") at a rate of 5.625% per year and will be payable semi-annually in arrear on 25 April and 25 October in each year. The 2044 Notes will bear interest from, and including the Issue Date at a rate of 6.875% per year and will be payable semi-annually in arrear on 25 April and 25 October in each year. The first payment of interest in respect of the Notes will be made on 25 October 2014. Payments on the Notes will be made in U.S. Dollars without deduction for or on account of any Moroccan withholding taxes unless the withholding is required by law, in which case the Issuer will pay additional amounts in respect of such taxes, subject to certain exceptions as set forth in "*Terms and Conditions of the Notes—Condition 8*" and "*Taxation*".

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any U.S. state securities laws and are being offered and sold in the United States only to qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective purchasers that are QIBs are hereby notified that the seller of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A (such Notes so offered and sold, the "**Rule 144A Notes**"). In addition, Notes are being offered outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**", and such Notes so offered and sold, the "**Regulation S Notes**"). Transfers of Notes are subject to the restrictions described under "*Transfer Restrictions*".

This prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List (the "**Official List**") and trading on its regulated market. This Prospectus constitutes a prospectus for the purpose of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**") (which implement the Prospectus Directive in Ireland). Reference in this Prospectus to being listed (and all date references) shall mean that such Notes have been admitted to trading on the regulated market of the Irish Stock Exchange.

Investing in the Notes involves risks. Please see "Risk Factors" beginning on page 14.

The Notes will be offered and sold in registered form in minimum denominations of U.S.$200,000 and any amount in excess thereof that is an integral multiple of U.S.$1,000. The Regulation S Notes will initially be represented by beneficial interests in a unrestricted global certificate (the "**Unrestricted Global Certificate**") in registered form without interest coupons attached, which will be registered in the name of Citivic Nominees Ltd, as nominee for, and shall be deposited on or about the Issue Date with, Citibank Europe Plc, as common depositary for, and in respect of interests held through, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Beneficial interests in the Unrestricted Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. The Rule 144A Notes will initially be represented by a restricted global certificate (the "**Restricted Global Certificate**" and, together with the Unrestricted Global Certificate, the "**Global Certificates**") in registered form, without interest coupons attached, which will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co., as nominee of, The Depository Trust Company ("**DTC**") on or about the Issue Date. Beneficial interests in the Restricted Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Clearing and Settlement*". Except as described herein, definitive registered certificates evidencing holdings of Notes issued in exchange for beneficial interests in the Global Certificates will be available only in certain limited circumstances. See "*The Global Certificates—Registration of Title*".

The Notes are expected to be rated BBB– by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and BBB– by Fitch Ratings Limited ("**Fitch**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating organisation. The credit ratings included or referred to in this Prospectus will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the "**CRA Regulation**") as having been issued by S&P and Fitch, respectively. Each of S&P and Fitch is established in the European Union (the "**EU**") and is registered under the CRA Regulation. As such, each of S&P and Fitch is included in the latest update of the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation as at the date of this Prospectus. Any change in the rating of the Notes could adversely affect the price that a purchaser will be willing to pay for the Notes. See "*Risk Factors—Risks Relating to the Notes—Credit ratings may not reflect all risks*".

Joint Lead Managers

Barclays **J.P. Morgan** **Morgan Stanley**

The date of this Prospectus is 17 April 2014.

- expanding the Group's fertiliser and phosphoric acid production capacity at the Jorf Phosphate Hub, by constructing four fully integrated fertiliser production units which are expected to become operational starting 2014 through to 2016, and potentially six additional units in accordance with market demand. Each of these units are expected to have an annual production capacity of one million tonnes of fertiliser; and
- as part of the expansion of the Jorf Phosphate Hub, expanding, amongst other things, its port and storage facilities and water-related infrastructure to accommodate such increased production.

Other significant planned long-term investments include: the development of the Safi complex through the addition of further integrated fertiliser production units, along with associated infrastructure, including port expansion; the development of the Laâyoune port; and other facilities in connection with new product development initiatives.

Based on its current plans and estimates and in accordance with its Capital Expenditure Programme, the Group expects its annual production capacity of phosphate rock to increase from 32.2 million tonnes in 2013 to 38.2 million tonnes in 2016 and 52.2 million tonnes in 2025, of phosphoric acid from 4.7 million tonnes in 2013 to 6.5 million tonnes in 2016 and 9.2 million tonnes in 2025, and of fertilisers from 7.4 million tonnes in 2013 to 11.4 million tonnes in 2016 and 17.4 million tonnes in 2025.

Based on current plans, the total costs of the Capital Expenditure Programme since its launch in 2008 to 2025 are estimated to be approximately Dh 145 billion, with Dh 26.3 billion already incurred between 2008 and 2013. As at 31 December 2013, approximately 22% of the remaining estimated total costs of the Capital Expenditure Programme were contractually committed, representing the Group's Capital Expenditure Programme projects until 2016. In the next three years, the Group expects to incur capital expenditure of approximately Dh 59.2 billion (including maintenance capital expenditure). These costs are expected to be funded from internally-generated cash flows, existing and future external financings and the proceeds of the Notes. The Group has the ability to delay projects according to its cash position and market demand. See *"Risk Factors—Risks Relating to the Group's Business—The Group may not be able to realise all of the expected benefits of its Capital Expenditure Programme or secure funding sufficient for the implementation of its Capital Expenditure Programme."*

Contractual Obligations and Commercial Commitments

The following table sets forth the Group's aggregate contractual obligations and commercial commitments as at 31 December 2013 and the payments due, by period, under such obligations and commitments:

	As at 31 December 2013				
	Less than one year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
			(Dh millions)		
Capital commitments[(1)]	17,015	15,146	—	—	**32,161**
Long-term and short-term loans[(2)]	5,891	7,225	6,629	4,387	**24,132**
Letters of credit	1,944	528	—	—	**2,472**
Total	**24,850**	**22,899**	**6,629**	**4,387**	**58,765**

(1) Principally includes contracts for purchase or construction of plant and equipment.
(2) This amount excludes future interest payments associated with the loans.

Debt Obligations

Over the past few years, the Group has raised significant amounts, principally through long-term borrowings, to supplement the net cash generated by its operating activities in order to fund its Capital Expenditure Programme.

The following table sets forth the total interest-bearing loans, borrowings and leases of the Group as at the dates indicated.

	As at 31 December		
	2013	2012	2011
	(Dh millions)		
Current interest-bearing loans, borrowings and leases			
Sovereign-guaranteed bank loans	63	60	49
Current portion of long-term bank loans	2,577	2,046	1,496
Finance lease liabilities	314	175	162
Short Term borrowings	1,898	2,920	1,417
Other loans	912	1,542	59
Accrued interest payable	128	146	92
Sub-total	**5,891**	**6,888**	**3,275**
Non current interest-bearings loans, borrowings and leases			
Sovereign guaranteed bank loans	724	774	837
Non current portion of long-term bank loans	13,288	9,688	6,648
Domestic bond issue	2,000	2,000	2,000
Finance lease liabilities	1,345	1,036	405
Other loans	885	285	314
Sub-total	**18,242**	**13,783**	**10,203**
Total borrowings	**24,132**	**20,671**	**13,479**

The following table sets forth certain rate and currency denomination information related to certain of the interest-bearing loans, borrowings and leases of the Group at the dates indicated.

	Interest	Weighted Average Interest	As at 31 December		
	Rate(s)	Rate	2013	2012	2011
	(%)	(%)	(Dh millions)		
Current interest-bearing loans and borrowings and leases					
Sovereign-guaranteed loans (*€-denominated*)	1.30-2.50	2.06	63	60	49
Bank loans (*U.S.$-denominated*)	1.94	1.94	6	6	6
Bank loans (*Dh-denominated*)	4.70-6.07	4.97	2,571	2,039	1,490
Short-term borrowings (*U.S.$-denominated*)	0.80-0.96	0.88	563	582	247
Short-term borrowings (*€-denominated*)	—	—	—	—	577
Short-term borrowings (*Dh-denominated*)	—	—	522	1,575	285
Short-term borrowings (*INR-denominated*)	10.20-14.00	10.54	812	763	308
Finance lease liabilities (*Dh-denominated*)	5.25-5.75	5.61	275	110	101
Finance lease liabilities (*€-denominated*)	4.10	4.10	39	65	61
Other loans	3.11-4.42	3.17	912	1,542	59
Accrued Interest payable	—	—	128	146	92
Sub-total	**—**	**—**	**5,891**	**6,888**	**3,275**
Non-current interest-bearing loans and borrowings and leases					
Sovereign-guaranteed loans (*€-denominated*)	1.30-2.50	2.20	724	774	837
Bank loans (*U.S.$-denominated*)	1.94-4.15	3.41	4,429	2,574	24
Bank loans (*€-denominated*)	3.05-6.00	3.50	2,721	2,785	1,074
Bank loans (*Dh-denominated*)	4.70-6.07	4.94	6,138	4,318	5,500
Bank loans (*INR-denominated*)	—	—	—	10	50
Finance lease liabilities (*Dh-denominated*)	5.25-5.75	5.60	1,291	945	269
Finance lease liabilities (*€-denominated*)	4.10	4.10	53	91	136
Domestic bond issue	4.46	4.46	2,000	2,000	2,000
Other loans	—	—	885	285	314
Sub-total	**—**	**—**	**18,242**	**13,783**	**10,203**
Total	**—**	**—**	**24,132**	**20,671**	**13,479**

Exhibit II-69

Worldwide VAT, GST and Sales Tax Guide

2019

EY

Building a better working world

Morocco

ey.com/GlobalTaxGuides
ey.com/TaxGuidesApp

Casablanca **GMT**

EY
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20 050
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Indirect tax contacts

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A. At a glance

Name of the tax	Value-added tax (VAT)
Local name	Taxe sur la Valeur Ajoutée (TVA)
Date introduced	1 January 1986
Trading bloc membership	None
Administered by	Ministry of Finance (www.finances.gov.ma)
VAT rates	
Standard	20%
Reduced	7%, 10% and 14%
Other	Exempt
VAT number format	12345678
VAT return periods	Monthly or quarterly
Thresholds	
Registration	Nil
Recovery of VAT by non-established businesses	Yes, in some situations

B. Scope of the tax

VAT applies to all transactions involving the supply of goods and services performed in Morocco and to the importation of goods and services, including the one-off supply or importation of goods.

C. Who is liable

A taxable person is a person or legal entity that carries out a taxable transaction. A taxable transaction is a transaction involving the sale or importation of goods or services that is subject to VAT even if such transaction occurs only once. A person liable to VAT in Morocco must register with the local tax service.

Morocco does not provide a VAT registration threshold. A business registers for VAT when it registers for corporate or income tax purposes.

Group registration. The Moroccan VAT law does not allow VAT grouping. Legal entities that are closely connected must register for VAT individually.

Non-established businesses. Nonresident companies that perform a taxable activity in Morocco are liable to Moroccan VAT.

Tax representatives. Under the VAT law, nonresident companies must appoint a tax representative to handle their VAT obligations (VAT returns, filings and payments). If a nonresident company does not appoint a tax representative, the Moroccan customer becomes liable for the declaration and the payment of VAT due on behalf of the nonresident supplier on its own VAT return (auto-liquidation).

Registration procedures. When the taxpayers apply for registration, they must provide the following documents:

- "Declaration d'existence," which is a printed form delivered by the tax administration that includes, in addition to the corporate name of the nonresident company, mainly the following information

  Information regarding the nonresident company:
  - Nationality
  - Corporate business address
  - City
  - Activity
  - Phone number
  - Email

  Information regarding the foreign provider's legal representatives (individuals):
  - Last and first name of the legal representative(s)
  - Function of the representative(s)
  - Address
  - City
- Copy of the contract signed by the nonresident company with the Moroccan client
- Representation letter signed by the nonresident company that allows the representative to collect, declare and pay VAT on its behalf
- Letter from the tax representative stating that it commits itself to fulfill VAT obligations of the nonresident company

The tax administration usually provides the VAT ID certificate within one week.

The procedure above is applicable to nonresident companies. For resident companies, a unique tax identification (VAT, CIT) is given upon normal registration process of a company in Morocco.

Late-registration penalties. Late filing of the statement of corporate existence ("Declaration d'existence") is subject to a penalty of MAD1,000. Besides, VAT due for the period preceding registration results in late filing and payment penalties (see Section I).

Reverse charge. Pursuant to Article 115 of the Moroccan tax code, nonresident entities performing VAT taxable activities are required to appoint a tax representative in Morocco in order to comply with VAT obligations and pay due VAT to the tax authorities on their behalf. In case the foreign entity does not appoint a tax representative, the mechanism of the VAT reverse charge applies. This mechanism provides that, in case a tax representative is not appointed, the Moroccan client is required to report and pay VAT on behalf of its foreign provider using its own VAT ID number. In other terms, VAT registration of the nonresident company is not mandatory if the Moroccan client declares and pays VAT to the tax authorities on its behalf.

Digital economy. The Moroccan tax code states that any service used or rendered within the Moroccan territory is subject to Moroccan VAT. For digital services, the VAT rate applicable is 20%. As the services rendered by the provider will be used in Morocco, the operation will be subject to VAT in Morocco.

For business-to-business (B2B) transactions, nonresident companies that are performing a taxable activity in Morocco are required to appoint a tax representative to handle their VAT obligations (VAT returns filings and payments). If no tax representative is appointed, the Moroccan business should report and pay VAT on behalf of the nonresident company using its own VAT ID number.

For business-to-consumer (B2C) operations, there are no special VAT rules for digital services, or supplies relating to the digital economy. Normal VAT rules apply.

There are no specific changes regarding the digital economy within the scope of the 2019 finance law.

Deregistration. Once the nonresident entity ends its activities in Morocco and has appointed a tax representative, it is required to deregister from VAT.

In practice, the deregistration process consists of sending a “deregistration letter” to the tax authorities in which the nonresident entity requests to be deregistered from VAT.

The tax authorities do not provide a deregistration certificate.

Exemption from registration. Please note that agricultural products (non-transformed), noncommercial activities, nonindustrial activities and civil acts are outside the scope of VAT. Therefore, VAT registration is not required for individuals/entities exercising these activities.

As Morocco does not have a VAT registration threshold, all other businesses must register for VAT.

Voluntary registration. Voluntary VAT registration is allowed for:
- Traders and service providers who directly export products, objects, goods or services for their export turnover
- Manufacturers and service providers who do not exceed an annual turnover of MAD500
- Traders who sell without transformation, product and foodstuffs other than those that are exempted without the right to deduct the input VAT

The taxpayer should send the application for optional VAT registration to the local tax administration office that is responsible for the taxpayer and takes effect on the expiry of thirty (30) days following the date of the notification.

D. VAT rates

The term “taxable supplies” refers to supplies of goods and services that are subject to VAT. The term “exempt supplies” refers to supplies of goods and services that are not subject to VAT. A business engaged in the sale of exempt supplies may have a right to deduct input VAT. If supplies are exempt with a right to deduct, no VAT is chargeable but the supplier may recover related input tax.

The standard rate of VAT is 20%. Reduced rates apply to specific business activities, including the following:
- Supply of water, electricity and pharmaceutical products: 7%
- Petroleum products, banking transactions, and hotel and restaurant operations: 10%
- Transport services: 14% (however, rail transport of passengers and goods is subject to VAT at a rate of 20%)

The 2019 finance law extended the list of VAT exempted medicines to include drugs treating meningitis disease, as well as drugs that manufacturer's price (excluding tax) by regulation exceeds Moroccan dirhams MAD588.

Option to tax for exempt supplies. Not applicable.

E. Time of supply

The time when VAT becomes due is called the "time of supply" or "tax point." In Morocco, the "tax point" generally corresponds to the time when the payment is made.

The Moroccan tax code provides that the tax point is the date of cash receipt. After a company receives cash, VAT becomes due, even if the cash received represents only part of the total outstanding amount for the goods or services provided.

The Moroccan tax code provides an optional regime under which VAT is due when the transaction is booked in the accounts of the seller or service provider. However, if the payment precedes the invoicing, the time of payment constitutes the tax point. Any company that wants to use the optional system must file a declaration with the tax administration before 1 January. A list of the company's customers that sets forth the unsettled VAT for each of the customers must be attached to the declaration. Newly registered taxpayers must file the declaration within one month after the commencement of their activity.

Prepayments. A prepayment or deposit constitutes a tax point. As a result, the time of effective delivery of the goods or services is ignored for VAT purposes.

Continuous supplies of services. If services are received continuously but payment is made periodically, a tax point is created each time payment is made (unless option for the debit system is chosen) or a VAT invoice is issued, whichever is earlier. No specific regulation provides for the VAT treatment of continuous services.

Goods sent on approval. The tax point for goods sent on approval is when the customer accepts the goods and a supply is made.

Imported goods. VAT on imported goods is due at the time of customs clearance.

Leased assets. The time of supply for leased assets is the date of rent income cash collection. However, under the debit regime, the VAT is due when the rent income is booked in the accounts of the owner/lessor.

The following types of leases are not subject to VAT:
- Rental of unfurnished premises, whether or not intended for professional use
- Rental of equipped premises that does not exceed MAD500,000

The following types of leases are subject to VAT:
- Furnished premises
- Premises that are equipped for professional use
- Premises located in commercial complexes (malls)
- Machines
- Vehicles

Reverse-charge services. The declaration and the payment of VAT to the tax authorities has to be performed during the month following the payment of the nonresident provider of services. (Please refer to the *reverse-charge subsection in Section C, Who is liable* above.)

F. Recovery of VAT by taxable persons

Input tax is VAT charged on goods and services acquired by an entity for business purposes. A taxable person generally recovers input tax by deducting it from output tax (VAT charged on supplies made). Input tax consists of VAT charged on goods and services purchased in Morocco and VAT paid on imports of goods.

Until 31 December 2013, Moroccan tax law permitted input VAT paid on purchases of non-fixed assets (non-capital expenses) to be recovered on the VAT return of the month following the one during which the tax was reported as paid. The finance bill for 2014 canceled this time lag rule, and effective 1 January 2014, companies may offset such input VAT against output VAT on the same month's VAT return.

However, in order to limit the significant cash impact of this new provision on the government's budget, the finance bill provided that the deductibility of the input VAT reported as paid by companies in December 2013 with regard to non-fixed assets would be deductible over a five-year period, with one-fifth of the deduction appearing on the first VAT return of each year during the following five years.

Nondeductible input tax. Input tax may not be recovered on purchases of goods and services that are not used for business purposes and that are considered to be nondeductible expenses for corporate tax purposes (for example, goods acquired for private use by an entrepreneur). VAT charged on purchases, works or services, where the amount exceeds MAD5,000 per day and per supplier and MAD50,000 per month and per provider, is not recoverable unless settlement is made by a check, bill of exchange, magnetic means of payment, bank transfer, electronic process or by compensation.

Examples of items for which input tax is nondeductible

- Goods and services not related to the business requirements
- Transport cars not used for the business needs
- Petroleum products not used as fuel
- Water pumps that run on solar energy or any other renewable energy used in the agricultural sector (introduced from the 2019 finance law)

Examples of items for which input tax is deductible (if related to a taxable business use)

- Purchases and services related to a business use
- Transport cars having a business use

Partial exemption. Input tax deduction is granted for taxable supplies and for supplies that are exempt with a right to deduct. If a taxable person makes both taxable supplies and exempt supplies, it may recover only the input tax related to supplies that are taxable or exempt with a right to deduct.

Refunds. If the amount of input VAT recoverable in a period exceeds the amount of output VAT payable in the same period, a refund is not generally granted. In most cases, the taxable person must carry the excess forward to a future VAT period. Refunds of the excess are generally only available with respect to the following VAT:

- VAT incurred on supplies of exported goods except for recycling metals (ferrous and nonferrous)
- VAT incurred on supplies of goods and services that are exempt with a right to deduct
- VAT incurred on purchases of equipment goods (fixed assets) during the first 36 months of activity of newly incorporated companies

- VAT incurred on purchases of other assets except office equipment and certain passenger transport vehicles
- VAT incurred on financial leasing activities

Preregistration costs. Not applicable.

G. Recovery of VAT by non-established businesses

Nonresident entities conducting taxable activities in Morocco are not eligible for VAT refunds. Nevertheless, input VAT incurred in Morocco by nonresident entities may be offset against output VAT.

H. Invoicing

VAT invoices and credit notes. A Moroccan taxable person must provide VAT invoices for taxable supplies, including exports, made to other taxable persons. Recipients of supplies must maintain copies of invoices.

Credit notes must be issued with VAT included.

Taxpayers must issue valid VAT invoices to customers including the below mandatory details:
- Identity of the seller
- Supplier identification tax number
- Supplier business tax number
- Date of the transaction
- Name or business name and address of the purchaser or customer
- Prices, quantity and nature of goods sold, the executed work or services rendered
- Reference to the overall amount of VAT, if applicable
- Reference to the VAT rate, if applicable
- Reference to rebates, discounts or rebates granted
- References and payment modalities
- Common corporate identifier (ICE: (this is a mandatory requirement to include from 1 January 2018, where the customer is based in Morocco)
- Supplier social security number
- Supplier trade registration number

Proof of exports. Moroccan VAT is not chargeable on supplies of exported goods. However, to qualify as VAT-free, export supplies must be supported by evidence confirming that the goods have left Morocco. The evidence required is the customs declaration, which must clearly identify the exporter, the customer, the goods and the export destination, and must provide invoice information.

Foreign-currency invoices. A VAT invoice for a domestic supply is generally issued in Moroccan dirhams (MAD). VAT based on the applicable VAT rate must be shown on the invoice.

B2C. There are no special VAT invoicing rules for supplies made by taxable persons to private consumers in Morocco. Hence, full VAT invoices are required to be issued (see above).

Electronic invoicing. In Morocco, electronic invoicing is not mandatory, but it is allowed. There are no special rules regarding electronic invoicing in Morocco. However, in case of a VAT refund request, the tax administration requires the original invoice in hard-copy format, including the company stamp.

If taxpayers issue electronic invoices, then they must use an electronic billing system connected to the central billing station of the tax administration.

I. VAT returns and payment

VAT returns. The filing of VAT returns may be on a monthly or quarterly cycle based on certain criteria.

The following taxpayers must file monthly VAT returns:
- Taxpayers that had taxable turnover during the preceding year of MAD1 million or more
- Nonresident persons that carry out taxable activities in Morocco

The following taxpayers must file quarterly VAT returns:
- Taxpayers that had taxable turnover during the preceding year of less than MAD1 million
- Taxpayers operating through seasonal establishments, practicing periodic activities or carrying out occasional activities
- New taxpayers in their first calendar year of activity

The above taxpayers can opt for the monthly declaration system by filing a request with the tax administration before 31 January.

Taxpayers under the tele-declaration and tele-payment system must file VAT returns and make VAT payments within one month after the end of the relevant month or quarter.

Other taxpayers must file their VAT returns and pay VAT due before the 20th day of the month following the relevant month or quarter.

Electronic filing and electronic payment is mandatory for all companies, regardless of the turnover performed.

Special schemes. There is one optional regime, called the "debit regime." This is where the VAT is due when the rent income is booked in the accounts of the owner/lessor.

The following types of leases are not subject to VAT:
- Rental of unfurnished premises, whether or not intended for professional use
- Rental of equipped premises that does not exceed MAD500,000

The following types of leases are subject to VAT:
- Furnished premises
- Premises that are equipped for professional use
- Premises located in commercial complexes (malls)
- Machines
- Vehicles

Electronic filing and archiving. See above (*Section I relating to VAT returns*)

Annual returns. The VAT returns are either monthly or quarterly.

J. Penalties

In case of deposit of the VAT declaration beyond the deadline:
- Thirty days within the deadline: 5% penalty
- Beyond 30 days following the deadline: 15% penalty

Please note that in case of tax reassessment procedure due to lack of filing, the above penalty is increased up to 20%.

In the case of a tax audit, the applicable penalty is increased up to 30%.

If no VAT is due, the penalty equals MAD500. In case of VAT payment beyond the deadline:

- A penalty of 20% on the VAT amount due
- Additional 5% penalty in case of late payment within the first month and 0.50% per additional month (or fraction of month)

If the VAT declaration provides that no tax is due, the amount of any VAT credit is reduced by 15%. This means that where input tax exceeds output tax in the same period, this generates a VAT credit in the VAT return for the taxpayer. However, where the return is filed late (after the legal deadlines), then the VAT credit for that period is decreased by 15%.

An increase of 1% is applicable on the VAT due or that would have been due in the absence of exemption, in case of noncompliance with the obligations of electronic filing and payment.

Exhibit II-70

Changing regulations: Key points of the Finance Law of 2014

Overview

One of the main features of the Finance Law of 2014 is that it was adopted in a rather particular political, economic and financial situation marked by the necessity to rebalance public finances through progressive reduction of the budget deficit, consolidation of tax resources and progressive reduction of tax exemptions. The tax measures of the Finance Law of 2014 focus essentially on the progressive implementation of the recommendations of the last national tax conference held in April 2013, the main features of which were the broadening of the tax base, rationalisation of fiscal expenses, improvement of companies' competitiveness, simplification of procedures and the strengthening of administrative control. A revision of the value-added tax (VAT) – a reform postponed for many years – was also introduced in 2014. The Finance Law of 2014 maintained the trend initiated in 2012 through the creation of special taxes such as an air passenger ticket tax and a luxury tax designed to support the social cohesion fund. Here, we present the key measures included in the Finance Law of 2014. 1. CORPORATE INCOME TAX (CIT) A. Progressive taxation of the agricultural sector: Since 1984 the agricultural sector has benefitted from a tax exemption. Due to the years of drought that Morocco experienced at that time, agricultural income was exempted from any direct tax until December 31, 2000. In the same context, article 12 of the Finance Law No. 55-00 for the financial year 2001 extended the exemptions for agricultural income of any present or future direct tax until December 31, 2010. This exemption was extended until 2013 by the Finance Law No. 40-08 for the financial year 2009. It should also be pointed out that the tax exemptions granted to the agricultural sector represent 11-12% of overall tax expenditures (as specified in the annual report on tax expenditures of 2012 and 2013).

The Finance Law of 2014 introduces progressive taxation for the agricultural sector. This taxation will affect large agricultural companies, large farm holdings and farmers who generate sales in excess of Dh5m (€444,000), while farm holdings and farmers with sales of less than Dh5m (€444,000) will continue to benefit from the permanent exemption from CIT.

On a transitional basis, the Finance Law of 2014 plans for the continuity of the exemption from CIT as

- From January 1, 2014 until December 31, 2015 for farm holdings generating sales of less than Dh35m
- From January 1, 2016 until December 31, 2017 for farm holdings generating sales of less than Dh20m
- From January 1, 2018 until December 31, 2019 for farm holdings generating sales of less than Dh10m (€888,000); The Finance Law of 2014 introduces a reduced tax rate of 17.5% for farm holdings during the first five consecutive years from the first year of taxation. B. Fiscal deductibility of compensation for delays related to the timeliness of payment: The Finance Law of 2014 authorises the fiscal deductibility of compensation for delays governed by Law No. 31-10 and Law No. 15-95 forming the commercial code. This measure is applicable to compensation for delays paid and recovered as of January 1, 2014.

So, regarding the fiscal side, this compensation for delays can be regarded, depending on the case, either as income or as an expense, for the determination of the taxable result during their collection or payment. Consequently, the accounting of this compensation will be made according to the current accounting rules and the determination of the taxable fiscal result will be made by proceeding to the extra accounting rectifications. C. Tax exemptions granted to "Africa50", or "Fonds Afrique 50": In order to stimulate foreign investments, article 4 of the Finance Law of 2014 establishes a total and permanent exemption from corporate taxation for the Africa50. The African Development Bank (ADB) decided to create this fund during its last annual assembly held in Marrakech in May 2013 in order to finance Africa's large infrastructure projects. The fund is planned to be domiciled in the financial centre of Casablanca Finance City. Thus, the Africa50 benefits from total and permanent exemption from corporate tax on all income, activities or operations and for potential income therefrom. 2. PERSONAL INCOME TAX (PIT) A. Introduction of a flat-rate tax scheme to support the "auto-entrepreneur": A new taxation regime has been introduced by the Finance Law of 2014 in order to reduce the size of the informal sector, develop entrepreneurial spirit and facilitate access to the job market for young people.

In this context, the Finance Law of 2014 complemented article 32 of the General Tax Code by introducing a specific and optional tax regime for natural persons who carry out their professional activities as a self-employed worker (although this excludes taxpayers practising liberal professions). The option for the auto-entrepreneur scheme is subject to compliance with the following conditions. The amount of the annual turnover must not exceed:

- Dh500,000 (€44,400) for commercial, industrial and artisanal activities; or
- Dh200,000 (€17,760) for the provision of services. The self-employed must adhere to the social security scheme and must maintain a register of purchases and sales that is endorsed on a regular basis by a competent tax service in the place where they are domiciled for tax purposes. This option remains valid until the turnover does not exceed, for any period of two consecutive financial years, the aforementioned threshold. B. Abatement rates applicable to pensions & life annuities: Before January 1, 2014, the net taxable income corresponding to pensions and annuities was determined after application of a flat-rate reduction of 55% on the gross taxable income of pensions and life annuities. As of January 1, 2014, article 4 of the aforementioned Finance Law of 2014 amends these provisions by providing for the following abatement rates:
- 55% on the gross amount that does not exceed Dh168,000 (€14,918) annually; and
- 40% on the gross amount that exceeds Dh168,000 (€14,918) annually. These rates apply to the gross taxable amounts of such pensions and annuities, subject to the deduction thereafter of social contributions. C. Introduction of tax neutrality with respect to income tax on the contribution of equity securities for a Moroccan resident that is subject to corporate tax: The Finance Law of 2014 introduces a specific regime allowing deferred taxation of income tax for capital gains resulting from the contribution of equity securities to a holding company.

Indeed, the Finance Law of 2014 states that natural person who carries out the transfer of the whole of the equity securities they hold in one or more corporations to a holding company resident in Morocco and subject to corporate tax is not taxable in respect to the capital gains resulting from this transfer. This tax exemption is granted provided that the following conditions are met:

- The contribution shall be carried out between January 1, 2014 and December 31, 2015;
- The equity securities transferred must be evaluated by someone selected from among the persons entitled to perform the duties of an auditor;
- The beneficiary company of the contribution is committed in the act of contribution to keep the shares received for a minimum period of four years from the date of the aforementioned transfer;
- The person who carried out the contribution of all of his or her equity securities is committed in the contribution act to pay the income tax related to net capital gain resulting from the contribution, in case of partial or total redemption, reimbursement or cancellation of securities received against the contribution. For the company receiving the shares, the net capital gain resulting from the sale of the above capital securities, after the expiry of a period of four years, is determined by the difference between the transfer price and the value of the securities at the time of the contribution.

Regarding the tax returns level, the Finance Law of 2014 provides that taxpayers who made the contribution of all of their equity securities should return against a receipt, to the inspector of taxes instead of their fiscal domicile, a tax return on the basis of a model form prepared by the administration within 60 days of the date of the contribution. 3. VALUE-ADDED TAX The main tax measures provided by the Finance Law of 2014 fall within the context of a total reform of VAT. These measures concern the reduction of VAT rates, the introduction of the reverse charge system of VAT, the abolition of the rule of one-month lag and the introduction of the refund for accumulated VAT credit. A. Changes in VAT rates: Application of the rate of 10% or 20% for some exempt goods or services:

- The rate of 10% is applicable to catering services provided directly by a company to its employees and equipment intended exclusively for agricultural use.
- The rate of 20% is applicable to dried grapes, fishing gear, local acquisitions of a property, and equipment and goods used by the University Al Akhawayn in Ifrane.
- Application of the 10% rate to certain products initially subjected to the rate of 7%. It is proposed that with effect from January 1, 2014, the tax rate of 10% will be applicable to livestock feed.
- Application of the 20% rate to certain products subjected initially to the rate of 14%. It is proposed that, with effect from January 1, 2014, the tax rate of 20% will be applicable to certain products subject to the 14% rate, such as fats (animal or vegetable) and utility vehicles. B. Introduction of the VAT reverse charge system: The Finance Law of 2014 amends the provisions of the article 115 of the General Tax Code in order to simplify the tax return obligations that local companies must fulfil on behalf of foreign companies.

In practice, and in case of absence of accreditation of a tax representative in Morocco, the Moroccan client has to file a declaration of existence in the name and on behalf of the non-resident company and declare the VAT on a separate tax return with a different tax identification number.

Furthermore, the Moroccan company should continue to file, even in the absence of any operation with the foreign company, on a monthly basis, the VAT returns on behalf of the non-resident provider until submitting a declaration for cessation of activity on behalf of this client.

In this context, and in order to simplify the procedure of declaration of the withholding tax applicable to the payments made to the foreign companies, the Finance Law of 2014 allows the Moroccan client to declare the amount of the operation exclusive of VAT on its own VAT return, to calculate the tax payable and at the same time proceed to the deduction of the amount of the aforementioned VAT due.

In the case where client activity is excluded from the scope of VAT, the Moroccan customer is required to proceed to the recovery of VAT due in the name and for the account of the foreign company by way of the withholding tax.

This deduction is made on behalf of the Treasury on each payment made to the foreign company and remitted to the receiver of the tax administration in the month following the payment. C. The abolition of the one-month lag rule: It should be noted that before the Finance Law of 2014 and regarding the right of deduction, the basic rule is that this right arises at the end of the month following the month of the partial or total payment of the invoices made in the name of the beneficiary.

Furthermore, and starting from January 1, 2014, the right to deduct the VAT shall arise in the month of the total or partial payment of local purchases or imports of goods, wares or services.

The amount of VAT paid on purchases during the month of December 2013 and deductible in January 2014 will be deductible over a period of five years up to a proportion of one-fifth of that amount. This deduction is made during the first month or the first quarter of each year from 2014.

However, it should be noted that the amount of VAT deductible during the month of January 2014 on purchases paid during the month of December 2013 may be deducted in full in the month of January 2014 when the VAT amount does not exceed Dh30,000 (€2664). D. Introduction of a reimbursement system for VAT credit: The Finance Law of 2014 allows, by way of derogation, the reimbursement of the non-refundable VAT credit under the conditions of ordinary law.

Indeed, the VAT credit accumulated to the date of December 31, 2013 is eligible for reimbursement according to the conditions and the procedures laid down by the relevant regulations (decree), which will specify the mode, the time frame and the limits for appropriations.

The accumulated VAT credit, which is entitled to reimbursement, corresponds to the credit generated from January 1, 2004 and resulting from the difference between the VAT rate applied on the turnover and the production or acquisition costs as far as the credit generated by the acquisition of fixed assets.

The companies concerned are required to file, within two months following the publication in the official bulletin of the regulation (decree), an application for refund of the VAT credit, established according to a template provided by the tax administration, and to proceed to the cancellation of that VAT credit in respect of the return of turnover following the month or the quarter of the filing of the application.

The amount to be returned is limited to the total amount of VAT originally paid in respect of purchases, subtracting the amount of such purchases with application of the reduced VAT rate applicable by the taxpayer to its turnover.

With regard to the resulting VAT credit on the acquisition of capital goods, the amount to be returned is limited to the amount of the VAT charged on the acquisition of the property.

The tax administration proceeds to liquidate the VAT credit when it ensures the veracity of such credit. The liquid reimbursements are subject to decisions of the minister of finance or the person delegated by him for that purpose and give rise to the establishment of reimbursement orders.

The Finance Law of 2014 establishes a derogation to the limitation period allowing the tax administration to correct irregularities noted during the liquidation of the reimbursement of the cumulative tax provision above, even if the limitation period has expired. 4. REGISTRATION FEES A. Exemption of the “Fonds Afrique 50”: The Finance Law of 2014 exempts the ADB’s “Fonds Afrique 50” from registration fees. This fund shall be exempt from all national and local duties and taxes. B. Changes of the conditions for the entitlement of the benefits granted to the purchasers of housing for the middle class: Prior to the Finance Law of 2014, purchasers of housing for the middle class were exempt from rights registration, stamp duty and fees on land books under the following conditions:

- The per square metre sale price must not exceed Dh6000 (€533), VAT included;
- The covered area should be between 80 sq metres and 120 sq metres; and

- The housing must be intended for citizens whose monthly income net of tax does not exceed Dh20,000 (€1776) and the housing will be assigned as their main residence for four years from the date of conclusion of the contract of purchase. The Finance Law of 2014 changes the first two conditions by specifying that:
- The square-metre sale price must not exceed Dh6000 (€533), excluding VAT; and
- The covered area should be between 80 sq metres and 150 sq metres. 5. GOVERNMENT AMNESTY REGARDING CASH & FUNDS HELD ABROAD Recently the Moroccan government decided to grant amnesty to Moroccans who have illegal assets and cash abroad. It is an amnesty for exchange and tax offenses relating to possession of real or financial assets abroad by Moroccans resident in Morocco. The amnesty is part of measures taken by the government to provide funds to the state budget and strengthen foreign reserves. A. The persons concerned: Under the provisions of the Finance Act 2014, this contribution is granted for individuals of Moroccan nationality having resident status in Morocco and legal persons of Moroccan law which held, before January 1, 2014, property, assets and cash abroad in violation of foreign exchange regulations and tax legislation. B. Exchange offenses concerned: Offenses covered by this contribution are those related to the establishment of foreign assets in the form of:
- Real estate properties held in any form abroad;
- Financial assets, securities, other equity securities and receivables held abroad; and
- Liquid assets deposited in accounts of financial institutions, credit agencies or banks located abroad. C. Tax offenses concerned: Tax offenses covered by this contribution are those governed by the General Tax Code relating to a failure to file a tax return relating to income, products, profits and capital gains on real estate and movable assets as well as cash in foreign currencies held abroad. D. Conditions to be filled: The persons concerned may benefit from the non-application of penalties relating to exchange offences as well as tax offences referred to above under the following conditions:
- Deposit with a credit institution with the status of a bank, governed by Act No. 34-03 relating to the credit institutions and similar institutions, a declaration according to the model form prepared by the administration showing the nature of the assets held abroad;
- Repatriate cash in foreign currency as well as income and products and convert at least 25% of the foreign exchange liquidity into Moroccan dirhams, with the possibility to deposit the remaining part into foreign currency accounts or convertible dirham accounts that have been opened in a credit institution located in Morocco that has the status of a bank; and
- Proceed to the payment of a final withholding contribution. The discharge contribution rate is fixed at:
- 10% of the value of acquisition of the real estate in foreign countries or the value of subscription or acquisition of financial assets and securities and other securities capital or debt held abroad;
- 5% of the amount of the liquid assets in foreign currency repatriated to Morocco and deposited in accounts in foreign currency or in convertible dirhams; and
- 2% of foreign currency liquidity repatriated to Morocco and transferred on the foreign exchange market into dirhams. The payment of the contribution releases the person concerned from the payment of penalties relating to infringements of foreign exchange regulations. Similarly, payment of this contribution releases the concerned of the payment of PIT or CIT as well as fines, penalties and increases applicable in case of infringement to the obligations of declaration or payment of the tax concerned. The contribution will be assigned to support the social cohesion fund.

Exhibit II-71

A guide to the main tax measures adoped by Morocco's new Finance Law of 2016

As part of the numerous reforms that have made Morocco an economic model in the region, the Finance Law for 2016 is the next step in the implementation of profound tax reforms initiated by the government following the work carried out during the national conference on taxation held in Skhirat in April 2013. As published in the Official Bulletin No. 6423, Finance Law 70-15 (Law 70-15), enacted by Decree No. 1-15-150 of December 19, 2015, aims, in particular, to:

- Strengthen tax fairness in Morocco;
- Improve company competitiveness; and
- Encourage investment in the country.

Corporate Income Tax

Law 70-15 also institutes a new scale for corporate income tax (CIT) rates. As regards CIT, the main measures adopted by Law 70-15 are the institution of a rate scale applicable on the net benefits of companies instead of the previous rates of 10% and 30%. However, credit institutions and assimilated establishments, Bank Al Maghrib, insurance and reinsurance firms are not included under this measure and remain taxable at the flat rate of 37%.

Changes

Amendments have also been made to some articles in the tax code. In order to clarify the meaning of some articles in relation to CIT, Law 70-15 included amendments to the General Tax Code of Morocco. These amendments particularly concern the following articles:

- Article 6-I-A;
- Article 6-I-C-1°; and
- Article 170-III.

Article 6-I-A provides that companies exempted from CIT are excluded from the benefit of a 100% tax deduction on received dividends and exemption of gains on securities sales. In 2016 the phrasing of the article was amended, and henceforth it stipulates that the companies concerned by the provisions listed above are those which benefit from a permanent exemption in terms of corporate tax and which benefit from 100% tax deduction.

Article 6-I-C-1° grants an exemption from withholding tax on dividends paid by offshore holding companies, up to the offshore turnover share. The new phrasing states that this exemption is granted to these companies, up to the income which corresponds to the activity eligible for the flat tax rate as provided for under Article 19-III-C of the General Tax Code, and the conditions as stipulated in Article 7-VIII of the aforementioned code.

Article 170-III concerns the calculation of tax instalments following the expiry of a tax exemption in terms of the minimum contribution or CIT. In order to avoid misinterpretations, this article henceforth specifies that tax instalments are calculated on the basis of corporate tax rates applicable to companies during the taxable year.

Income Tax

As regards income tax, Law 70-15 has set up a tax regime that is applicable for *ijara mountahia bitamlik* (IMB), an Islamic banking offer which is designed as a leasing contract covering properties intended for principal residential uses, with a purchase option, according to the provisions of Law No. 103-12 of December 24, 2014.w

IMB Contracts Tax Regime

The tax regime applicable as regards IMB contracts is the same as the one that was previously adopted regarding the Islamic banking offer known as *mourabaha*, which is a type of sale contract, particularly for real estate assets. Hereafter, the main tax incentives provided for IMB contracts include the following:

- Deduction with a ceiling of 10% of the total taxable income, and the amount of the rental margin paid by the taxpayer under an IMB contract;
- Deduction from wage income of the amount of cost acquisition and rental margin paid by the taxpayer, as part of an IMB contract for the purchase of social housing intended for principal residence;

- In terms of the exemption granted upon the sale gain, one must take into account the period of occupation of the house by the taxpayer contracting an IMB in his or her quality as a leaseholder; and
- For the calculation of the sale gain, the acquisition cost and the rental of the property acquired under an IMB contract must be taken into consideration.

Joint Possession Contracts

The tax code also offer procedures for joint possession contracts for properties acquired under mourabaha or IMB. In addition to the institution of the tax regime applicable to IMB offer, Law 70-15 cancelled deductibility limits for interest or remuneration agreed on in advance on loans contracted for the acquisition of properties as principal residence as part of joint possession contracts.

In fact, in accordance with Article 28-II of the General Tax Code, taxpayers contracting the type of loans mentioned above are now given the benefit of a deduction not exceeding 10% of their taxable global income for every contracting party of the acquisition agreement and up to his/her share in the property acquired. Therefore, the ceiling of 10% of interest deductibility is no longer applicable; a total deduction is granted instead. It should be noted that the tax incentive provided in Article 28-II is applicable to interest on loans contracted under a mourabaha contract or to the rental margin as part of an IMB contract as of January 1, 2016.

Professional Income

In terms of tax compliance, taxpayers having a professional income only – defined as following a flat profit regime and taxed on the basis of the minimum profit – are exempt from the obligation to submit an annual income tax return. This exemption is granted under the following conditions:

- The annual profit is taxed on the basis of the minimum profit and the notified payable tax, in principal, does not exceed Dh5000 (€458);
- The determination of the flat profit has not undergone any changes which might increase the taxable base initially retained; and
- The profit of this exemption is granted within the period when the business of the taxpayer is still being carried out.

Thus, this measure is not applicable to a taxpayer whose annual income is based only on the flat profit provided in Article 40 of the General Tax Code. Furthermore, in case of an interruption in the taxpayer's activity, the latter will be required to comply with obligations stated in Articles 85 and 150 of the tax code. It should also be noted that the exemption from filing an annual income return for taxpayers with a professional income only is effective during the year that follows the one in which the conditions above are fulfilled.

Agricultural Properties

In order to align tax treatment applicable on rental incomes, Law 70-15 widened the 40% tax deduction to cover rental income issued from agricultural properties. Therefore, according to the new adopted measure, taxable rental income from these types of properties after the application of the 40% tax deduction is defined as following:

- The gross amount of the rent as stipulated in the contract;
- The gross amount obtained by multiplying the average price of the crop used by quantities specified in the contract, in the case of rentals paid in kind; and/or
- The share of flat farm income in the case of rentals share fruit.

This measure is applicable to income revenues from agricultural properties as of January 1, 2016.

Tax Collection

Law 70-15 also includes tax collection procedures that are applicable to taxpayers under a real/simplified net income regime. According to the Finance Law of 2016, the due tax on the professional income of a taxpayer under the real/simplified net income regime, as well as taxpayers practising independent professions, is no longer payable by assessment of the tax administration following the submission of an annual income tax return, but spontaneously to the tax collector of the tax administration. This measure is applicable in cases of minimum contribution as well, starting from January 1, 2016.

Legal Deadline

The new tax code also includes modifications of the legal deadline to submit an annual income return for taxpayers under the real/ simplified net income regime. Further to the measures detailed above, taxpayers under the real/ simplified net income regime that have professional and/or agricultural income are granted an extra month to submit their annual income return and to submit tax payments accordingly.

Instead of the legal deadline of April 1, these taxpayers have until May 1 to fulfil their obligations in terms of declaration and payment as regards income tax. Following this measure, Law 70-15 also amended the provisions of Article 44-I of the General Tax Code, providing the legal deadline during which the concerned taxpayers can choose the option of the simplified net income regime.

Value-Added Tax

In terms of value-added tax (VAT), the main measures that have been adopted under the Finance Law of 2016 concern, in particular, the introduction of new regulations regarding aircraft and railway transportation, second-hand moveable goods, and activities related to the agri-food sector. Other measures have been adopted in relation to VAT credits, refunds and the fixation of some tax rates.

Transport & VAT

In order to align international tax treatment of aircraft imports Law 70-15 exempted any imported aircraft with a capacity of 100 seats, as well as equipment and spare parts intended to repair such aircraft, and cancelled the previous 20% VAT tax rate.

In addition, to promote aerospace industry, aircraft dismantling operations benefit from a VAT exemption as of January 1, 2016, since these segments are henceforth considered to be services related to international transportation.

The new taxation procedures also include railway transportation, which is certainly the main measure of Law 70-15 as regards VAT, where the applicable VAT has been revised upwards to alleviate the VAT credit allocated to the national railways agency, Office National des Chemins de Fer. Therefore, instead of 14%, railway transport is now subject to the normal VAT rate of 20%. However, other transport operations remain subject to the reduced rate of 14%. Another measure affecting the rail sector is the import of railway equipment, which is now exempted from VAT.

Other VAT Rules

While Article 125 of the General Tax Code allows for taxation of second-hand goods, this article has been amended by Law 70-15 to include the sale of second-hand moveable assets, along with the sale of the business capital.

Prior to 2016 agri-food business supported VAT without any possibility of deducting VAT from certain inputs since agricultural products are outside the scope of VAT, which led to an automatic sales tax and not a tax on the real value-added generated by a business. This situation has made the agri-food business in Morocco uncompetitive and caused overgrowth of informal businesses. In order to address this situation, Finance Law of 2016 introduced a tax on agricultural products intended for the agri-food sector in Morocco. Therefore, and notwithstanding the provisions of Articles 101 and 104 of the General Tax Code, even if it is not apparent in the purchasing price of locally obtained fruits and unprocessed vegetables, VAT is henceforth deductible.

VAT Refund

Currently, and in accordance with Article 103 of the General Tax Code, VAT refunds are granted to taxpayers performing operations that are tax exempt or in a tax-suspension period in compliance with Articles 92 and 94 of the General Tax Code. As part of VAT reform, the VAT refund process covers 2015, 2016 and 2017 for companies which have a cumulative VAT credit of between Dh20m (€1.8m) and Dh500m (€45.8m).

In addition, Law 70-15 widened the scope of application for items eligible for a VAT refund to cover investment goods, with the exception of equipment, office furniture and passenger transport vehicles, other than those used for the purposes of public transport or collective staff transport. Finally, Finance Law of 2016 modified the VAT rate applicable to IMB contracts to align their tax treatment with the terms of mourabaha contracts. Therefore, instead of a 20% rate applicable to the margin generated by such contracts, a reduced rate of 10% is henceforth in effect.

Registration Fees

The recent reforms also saw other specific measures concerning registration fees adopted under Law 70-15. The main measures can be summarised as the following:

- Exemption for the sale of collective lands located in an irrigation district and which were subject to registration fees under the common law regime;
- Bare-land acquisition or lands comprising buildings to be demolished, intended for construction projects, benefit from a reduced rate of 4%, but are limited to five times the covered area of the land(s); the application of this reduced rate was unlimited before 2016;
- Clarification of the taxable basis for mourabaha and IMB contracts, which is now the acquisition price of properties or business capital, instead of the higher amount calculated as provided in Article 132-II of the tax code; and
- Reduction of the taxable base regarding rental acts through emphyteutic leases from 20 times the annual rental price to just one annual rental price; this measure is limited to emphyteutic leases concerning state-owned lands intended for investment projects in the industrial, agricultural or services sectors.

Sanctions & Penalties

In addition to taxes, it is important for taxpayers to be aware of new measures adopted by Law 70-15 as regards penalties and surcharges in cases of non-compliance with tax regulations that are in effect. As such, the main amendments introduced by Article 8 of Finance Law of 2016 are summed up below.

Expenses & Deductibility

To avoid the proliferation of informal businesses in Morocco, other measures have been adopted. In fact, in order to encourage companies to be more transparent in their transactions, Article 8 of Law 70-15 provides that expenses which are not paid by non-transferable crossed checks, commercial bills, magnetic means of payment or bank transfers are deductible from the taxable income of companies within the limit of Dh10,000 (€917) per day and per supplier, up to a monthly amount of Dh100,000 (€9170) per supplier, VAT included. It should also be noted that in terms of assets acquired and not settled following the above payment means the recorded depreciations on these assets are not considered deductible from taxable income of companies. As regards VAT, deductibility is no longer permitted for purchases of goods or services exceeding Dh10,000 (€917) per purchase and per supplier up to a monthly amount of Dh100,000 (€9170) per supplier, VAT included. These measures are applicable to financial years opened counting from 2016.

Company’s Common Identifier

Introduced by Decree No. 2.11.63 of May 20, 2011, ICE is a new common identifier for companies and is intended to be used by different authorities in Morocco. Following its effective application since 2014, Article 8 of Law 70-15 has amended the provisions of Article 145 of the General Tax Code to highlight taxpayers' obligation to include in their invoices, or similar documents, as well as in the tax returns, this new common identifier. Therefore, invoices not containing the ICE do not give the taxpayer the right to deduct VAT from a purchase.

Tax Treaties

Morocco has expressed over time its strong commitment to cooperation and development in Africa. The country has always attached special importance to building up strong relationships with other African countries through strengthened economic ties and the establishment of various partnerships relying on measures for promoting South-South cooperation. One of the leading measures is the conclusion of tax treaties that aim to avoid double taxation as part of business binding Moroccan and African companies. They are also meant to avoid fraud and tax evasion by providing administrative support for collection of taxes between signatory countries.

Morocco currently has tax treaties in effect with the Arab Maghreb Union, Egypt, Senegal, Gabon and Guinea, and agreements are at various stages of development with another 15 African countries. Given the few tax treaties in effect, efforts are still needed to support Morocco's ambitions in terms of economic and social cooperation with African countries. It is important for Morocco today to implement an overall tax strategy in line with its expectations on the continent. This strategy is no longer an option; it is a necessity given the growing competitive environment in many African markets.

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Exhibit II-72

FitchRatings

OCP S.A.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB-	Stable	Affirmed 1 Nov 2019
Long-Term senior unsecured rating	BBB-		Affirmed 1 Nov 2019

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The 'BBB-' Issuer Default Rating (IDR) of Morocco-based phosphate producer OCP S.A. incorporates a one-notch uplift for state support (Morocco, BBB-/Stable) from its 'bb+' Standalone Credit Profile (SCP), in line with Fitch Ratings' *Government-Related Entities (GRE) Rating Criteria*.

The 'bb+' SCP reflects a strong business profile underpinned by OCP's vertical integration, competitive cost position, exceptionally large ore reserves and leading market positions. It also factors in a weak, albeit improving, financial profile, primarily due to sizeable debt-funded expansionary investments.

OCP's credit metrics offer limited headroom for unforeseen cash outflows in 2019-2020 under our base case with funds from operations (FFO)-adjusted net leverage forecast at 2.8x compared with our 3.0x negative sensitivity. The Stable Outlook captures our opinion that the group would have the flexibility and willingness to reduce investments should cash flow generation be lower than expected. We forecast a gradual improvement in financial headroom from 2021 on lower expansionary capex, higher volumes and moderate pricing improvements.

Key Rating Drivers

Growth to Resume in 2020: Our base case continues to assume that growth beyond 2019 will be driven by a moderate improvement in prices and a gradual increase in fertiliser and phosphate rock volumes, with supply of merchant rock adjusted to market conditions. This should translate into high-single-digit revenue growth and EBITDA margins in the 30%-33% range.

We believe that OCP's decision to temporarily curtail phosphate production by 500,000 metric tonnes from mid-December 2019 to end-February 2020, due to adverse weather conditions, will not have a negative effect on OCP's operating performance, given demand is seasonally low during first quarter of the year.

Rating Linkage with Morocco: Under our GRE methodology, OCP scores 22.5 for overall support, which maps to a one-notch uplift. This reflects Fitch's view that the group would likely receive exceptional support from the state if its financial profile weakens to the extent where its ability to maintain its expansionary efforts or refinance its debt is threatened.

In our opinion, this assessment is supported by OCP's completion of the first phase of its strategic investment programme as well as its status as Morocco's largest non-financial corporate issuer of international bonds. This also reflects that despite its 94% state ownership, OCP is run as an independent profit-oriented entity with no legal ties to the state.

Phosphate Prices to Bottom Out: Diammonium phosphate (DAP) prices fell below our previous 2019 assumptions as poor weather conditions in the US, weaker application rates in China and lower ammonia prices exacerbated the effect of the Ma'aden capacity ramp-up. We expect prices to bottom out in 2020 as oversupply starts to ease and high inventories in import markets are liquidated. From 2020, higher ammonia input prices should push non-integrated producers' costs up and support higher DAP prices.

VAT Credit Build-Up Unlikely to Recur: Our base case assumes that the build-up of sizeable VAT claims against the state, which exacerbated the deterioration in OCP's credit metrics in 2016-2017, will not be repeated. The group accounted for roughly half of the state's total

Applicable Criteria and Related Research

Government-Related Entities Rating Criteria (November 2019)
Corporate Hybrids Treatment and Notching Criteria (November 2019)
Corporate Rating Criteria (February 2019)
Corporates Notching and Recovery Ratings Criteria (October 2019)
Sector Navigators (March 2018)

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overdue VAT credit liabilities in 2018 (1.8% of GDP), due in large part to its investment programme.

In May 2017, the tax regime for capital investments was amended to exempt existing companies for sums of MAD100 million and above. As a result, OCP's VAT credit claims should be materially lower in the new wave of capex. The government is also implementing a series of measures to digitalise and simplify the reimbursement procedures and reduce delays.

VAT Credit Factoring Scheme: The build-up of large VAT credit arrears by the Moroccan state exacerbated the impact of weak market conditions and large debt-funded expansionary investments on OCP's leverage. In 2018, the government secured long-term factoring facilities from banks to settle the VAT credit claims of state-owned entities, including OCP. However, OCP is responsible for servicing interest payments on the factoring facilities. These are due over nine years, amount to MAD4.2 billion, and were pre-funded in the MAD20.5 billion cash OCP received in October 2018 to settle the VAT arrears.

Fitch treats the MAD4.2 billion of capitalised interest as debt, in line with OCP's reporting. Leverage was restored to 2.7x at end-2018, down from 5.5x and 4.7x at end-2016 and end-2017, respectively, as a result of the transaction.

Capex Offers Flexibility: Our base case assumes that capex will peak at MAD15 billion in 2020 and decline to MAD11 billion thereafter but remain well above maintenance levels, to support granulation and phosphoric acid capacity increases, logistics and debottlenecking exercises. Along with dividend distributions, this translates into negative FCF until 2021, but OCP has demonstrated its ability to scale back investments should operating cash flows come under pressure.

Cadmium Restrictions: In June 2019, the EU brought in a new regulation on fertilisers sold in the EU, including a limit of 60mg cadmium per kg of phosphorus pentoxide (cd/kg P_2O_5) from 2022, and voluntary green labelling for fertilisers with less than 20 mg cd/kg P_2O_5 starting in 2019. The European Commission will review the 60 mg cd/kg P_2O_5 limit in 2026. Sedimentary phosphate rock deposits such as OCP's have high cadmium content.

Previous iterations of the proposed restrictions had considered gradually reducing the limits to below 40mg, which could have affected OCP's capacity to export to the EU, its third-largest market at 20% of sales in 2018. We understand from the group that its products currently fully comply with all aspects of the new regulation and that it has been investing in the development of cost-effective ways to address these changes while focusing on selective mining of layers with lower cadmium content.

Exhibit II-73

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NEWS

KEY PROVISIONS OF MOROCCAN FINANCE LAW FOR 2018

PROVISIONS RELATING TO CORPORATE INCOME TAX:

Institution of a sliding scalefor corporate tax:

- 10% for a net income lower or equal to MAD 300,000
- 20% for a net profit of MAD 300.001 to 1,000,000
- 31 percent to more than 1,000,000MAD

Exemption of all operations and activities conducted by collective investment vehicles in real estate (OPCI) according to their object in the conditions defined in article 7-XI of the CGI (tax law), since profits distributed as dividends by such vehicles are taxed in the hands of their unit holders.

Amendment in the taxation of capital gains in case of merger or spin off: Now tax corresponding to these capital gains whose tax is deferred must be paid spontaneously by the acquiring company (or the new company resulting from the spin off). Such payment should be made through the corporate income tax return of the tax year during which the related goods are withdrawn from the company's assets, regardless of the taxable profit or loss of the year concerned.

Possibility for the acquiring companies to carry forward the losses available during FY prior to the merger or spin-off and corresponding to regularly accrued depreciation.

PROVISIONS RELATING TO INDIVIDUAL INCOME TAX:

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are granted pursuant to a Court decisionor further to a Conciliation procedure.

Exemption from income tax on salaries for a 24-month period in favor of companies created between 1st January 2015 and 31 December 2022, within the limit of 10 employees and a gross salary capped at 10,000 MAD. This provision applies to employees hired under a permanent contract within the first two years after starting date of business.

Exemption from land profit tax in respect of gifts made in the framework of a "Kafala" subject to an order from the guardianship judge.

Back to the provisions applicable prior to 2013 relating to land profits in respect of sale of property acquired throughinheritance: Now the acquisition price to be considered is either the market value on death date of the property owned by the deceased and listed on the inventory made by the heirs; or the market value of the property on death date, as declared by the taxpayer.

Back to the provisions applicable prior to 2013 relating to land profits on sale of unbuilt land: Now those profits are taxed at the flat rate of 20%.

Extension of tax neutrality to the contributions of real property owned by a private taxpayer to the inventory of a company, being recalled that the provisions of the Finance Law 2017 limited this neutrality to contributions of such goods to the fixed assets.

Exemption from corporate tax of the sport federations and associations that are recognized of public utility, for all their activities or operations and related to their potential revenues.

Obligation to all taxpayers to submit their income tax return electronically, excluding taxpayers whose earned income is determined according to the plan of flat-rate benefit.

PROVISIONS THAT ARE COMMON TO CORPORATE INCOME TAX AND PROFESSIONAL INCOME TAX

Tax reduction for taxpayers taking stakes in the capital of young innovative companies in the **new technology sector**: the tax reduction is granted up to the amount of participation capped at 200,000 MAD by young innovative company and 30% of the tax due in respect of the fiscal year of equity participation, subject that innovative company meets certain criteria defined by the tax regulation.

The incentives granted to exporters for their turnover in foreign currency (exemption for 5 years followed by the reduced rate) is **extended to tourism animation businesses.**

Deductibility of all para-fiscal taxes

Obligation to attachto annual income tax returns a sales report indicating the common identifier of customers according to a model established by tax administration.

PROVISIONS RELATING TO VAT:

- Refund of the VAT credit to the benefit of companies acting in the desalination of sea water business;

provided in the customs code;

- VAT exemption of goods, material, goods and services for the benefit of the Mohammed V Foundation for solidarity;
- Right to recovery of not apparent VAT on purchases of local-origin milk used in the production of dairy derivatives;
- Exemption without the right to deduction of all of the activities and operations carried out by sport federations recognized of public utility

PROVISIONS RELATING TO REGISTRATION DUTIES :

- **Exemption from registration duties on creation and increase in capital** of companies or economic interest groups, made by contribution in cash, capitalization of debt towards shareholders or of profits and reserves. Exemption also applies certain contributions in-kind, as provided by the Moroccan tax code.
- **Exemption from registration duties on transfers (whether free or for consideration) of shares** incompanies or economic interest groups, excluding shares inreal estate companies.
- **Registration duty at the reduced rate of 1.5%** applicable to acts of free transfers by a “Kafil” to the benefit of the dependent child
- **Fixed registration duty of MAD 200 MAD applicable to the termination** of preliminary sale agreements, booking contracts and deeds relating to the release of fundsas part of sales before completion (VEFA)
- **Exemption from registration duties on acquisitions of bare lands for the purpose of building hotels,** under certain conditions (construction within a period of 6 years, conservation of the assets for 10 years, mortgage in favor of the State).
- **Dematerialization of the registration** formality for the benefit of notaries as from 1St January 2018 and “adouls”; accountants and chartered accountants as from 1St January 2019.

PROVISIONS RELATING TO STAMP DUTIES:

- Exemption from proportional stamp duty applicable to non-polluting vehicles.
- Limitation of the application of proportional stamp duty to the first registration of the vehicles whose total weight is less than or equal to 3,000 kg and 4 x 4 vehicles.
- Limitation of the application of the MAD 20 stamp duty only to deeds that are mandatorily subject to the registration formality as well as other deeds, documents and writings expressly subject to stamp duties pursuant to the Moroccan tax code.
- Increase in the rate of stamp duty applicable to passports from MAD 300 to MAD 500.
- **Precision made to article 252 of the Moroccantax code** : now, are subject to the stamp duty rate of 0.25%, the pure and simple receipts or acquittals given at the foot of invoices and memoirs, receipts or discharges of sums and all titles that carry release or discharge settled in cash. Stamp tax return must be submitted monthly instead of quarterly.

subject to registration, payment by e-filing for some operations..).

OTHER PROVISIONS:

Alignment of the tax treatment of new participatory finance products to conventional banking products:

- Tax treatment of income from « sukuk » certificates has been included in article 14 of tax regulation code, i.e., application of the 20% withholding tax.
- Clarification of the VAT taxable basis for 'Ijara Mountahiya Bitamlik' products: rental margin in respect of acquisitions of residential housing and rents in respect of acquisitions of business premises.
- Transfer of the right to deduct VAT charged on acquisitions made as part of « Murabaha » to buyers that are subject to VAT.
- Exclusion for credit institutions and assimilated from the right to deduct VAT charged on acquisitions of housingunits intended for rental in the frame of 'Ijara Mountahiya Bitamlik' contracts and « Murabaha » acquisitions contracts.
- Reduced rate of registration duty depending on the nature of the property in favor of credit institutions and assimilated (instead of the standard rate) and application of the MAD 200 minimum rate for deeds relating to the partial transfer of buildings for the benefit of clients.

Relief from tax obligations for businesses subscribing a declaration of temporary cessation of activity for a period of 2 years, renewable for one year: Exemption from the minimum income tax contribution, filing a single annual statement VAT before the end of the month of January of each year. Note that, however, they must continue to file their corporate income tax or professional income tax returns.

Possibilityfor taxpayers to ask the tax administration to decide on the tax regime applicable to certain transactions under the legislation and regulations provisions in force (ruling). This new provision only covers certain transactions including legal and financial arrangements related to investment projects, restructuring operations, transactions between related Moroccan companies.

SPECIFIC PROVISIONS RELATING TO VERIFICATION PROCEDURES, COMMUNICATION RIGHTS AND SANCTIONS:

Obligation for companies to keep their books in electronic format according to criteria defined by separate regulation.

Obligation for taxpayers keeping their books in electronic format to show in case of a tax audit their books in electronic format, otherwise a penalty of MAD 50,000 per fiscal year applies.

Requirement for companies keeping their books in electronic format to keep their electronic accounting documents for 10 years as referred to in article 211 of the Moroccan tax code : note that article 211 considers as accounting documents copies of invoices or receipts as well as expenses and investment vouchers, in addition to the books and accounting journals that are required in the context of tax audits.

Clarification of the provisions of article 213 of the CGI related to serious irregularities questioning the probative value of accounting: from now on, of turnover or taxable income or if the accounts do not allow to document the reported profits or losses.

Obligation for the tax administration to begin the tax audit within a period not exceeding (5) working days from the date set for the beginning of the audit.

Suspension of the statute of limitation period between the date of submission of applications to the administrative courts (article 232-VI of the CGI) and the expiry of the period of 3 months following the date of notification of the final decision of the Local Taxation Commission or the National Commission, according to the case**.**

Extension of the accelerated rectification procedure (article 220 and 221 of the CGI) to the partial transfer of tangible or intangible assets of the company or in case of temporary termination of activity.

Generalization of the common business identifier ("ICE"): The taxpayer must in addition to its own ICE, mention the ICE of its customers in the invoices issued, its tax returns and in the annual report of sales attached to the taxable profit statement. Otherwise a penalty of MAD 100 per omission is applied, as well as the loss of tax benefits provided by the Moroccan tax code.

Obligation to have an electronic billing system for taxpayers subject to the corporate income tax and professional income tax according to the regime of net real or simplified net income and VAT, that meets the technical criteria and conditions determined by a regulation taking into account the specificities of each sector**.**

Introduction of a final withholding contribution for the income and profits generated by assets and liquidity held by individual foreign residents, in respect of tax offences.

Cancellation of penalties, surcharges and collection fees related to taxes, rights and duties assessed in addition to the principal tax amount prior to 1st January 2016 and remained unpaid on 31st December 2017, provided that taxpayers pay spontaneously the principal amount before 1st January 2019.

Reduction of 50% of the fines, penalties, surcharges and collectionfees remained unpaid as of 31st December 2017, provided the remaining 50% are paid prior to 1stJanuary 2019.

Share

Exhibit II-74

SUSTAINABILITY REPORT 2018

Working together for sustainable agriculture

OCP

GRI 103-1 | GRI 103-2 | GRI 103-3

Use of non-conventional resources

OCP gives priority to reusing treated domestic wastewater, thereby protecting the environment and preserving natural freshwater resources.

Merah Larach is one of the first washing plants in the world to use treated wastewater. OCP commissioned the Khouribga Wastewater Treatment Plant in 2010 to provide water at its washing facility. Two other wastewater treatment plants followed at the Benguerir and Youssoufia mining sites, bringing OCP's industrial reuse of treated water to around 10 million m^3 per year. In addition, part of the water from the Benguerir wastewater treatment plant will be used to irrigate green spaces in the Mohammed VI Green City.

Moreover, biogas recovered from the wastewater treatment process is used to generate electricity, covering up to 30% of the wastewater treatment plant's energy needs.

The success of this pilot, will spur the use of wastewater in other industrial projects.

As part of the Circular Economy Program, several feasibility studies are underway with key national stakeholders for further industrial reuse of treated wastewater, based on new and existing wastewater treatment plants.

OCP is investing in seawater desalination to cover all the additional needs for its industrial development, without any reliance on conventional water resources.

The industrial platform of Jorf Lasfar is now supplied by the largest desalination plant in Morocco with an annual capacity of 25 million m^3. Its expansion is planned to be commissioned in 2022 to reach a total capacity of 40 million m^3 per year. This station is also designed to take advantage of the platform's existing facilities and infrastructure, as well as the energy surplus the platform generates.

Another 7.5 million m^3 capacity station is planned in Laayoune to meet the water needs of the Phosboucraa site's industrial development program, in addition to the existing reverse osmosis desalination plant with a capacity of 1.4 million m^3, commissioned in 2006.

Finally, for Safi, desalination is also planned to meet the future needs of its industrial development program.

Innovation to streamline water use

As part of the Circular Economy Program, OCP Group is investing in R&D and innovation to streamline water usage. Numerous projects have been launched in collaboration with various partners, including Mohammed VI Polytechnic University, in order to develop solutions for optimizing water in the industrial process and to use the most appropriate and advanced water treatment technologies (purification and desalination).

OCP's goals

Implement 2 Wastewater Treatment Plants at Safi & Fkih Ben Salah towns by 2022

> An overall capacity of 10 Million m3/year recovered from urban wastewater

Recover 90% of Water used in Phosphate Washing Plants

> Invest in dehydration technologies at the MERAH, DAOUI and YOUSSOUFIA washing plants to recover 50% of the remaining water from the residual sludge by 2010

90% reduction of water used for watering mine runways

> Leveraging on cutting edge runways treatment technology and saving 2 Million m^3

Exhibit II-75

FitchRatings

RATING ACTION COMMENTARY

Fitch Revises OCP's Outlook to Stable; Affirms at 'BBB-'

Mon 05 Nov, 2018 - 7:50 AM ET

Fitch Ratings-London-05 November 2018: Fitch Ratings has revised the Outlook on Morocco-based phosphate producer OCP S.A.'s Long-Term Issuer Default Rating (IDR) to Stable from Negative and the Long-Term IDR and senior unsecured ratings at 'BBB-'.

The revision of the Outlook reflects the expected improvement in OCP's financial profile in 2018 on the back of the reimbursement of MAD20.5 billion in VAT arrears from the state, and to a lesser extent, favourable market conditions. Under our base case, funds from operations (FFO) adjusted net leverage will be sustained below 3.0x (4.8x at end-2017) against our 4.0x negative sensitivity for 2019. Beyond 2019, profitability and cash flow generation should be supported by positive pricing momentum and the full contribution from the four Jorf Lasfar units. We forecast reducing but sill high expansionary capex which along with dividends, translates into sustained negative free cash flow (FCF).

The 'BBB-' rating incorporates a one-notch uplift for state support (Morocco, BBB-/Stable), in line with Fitch's Government Rated Entities (GRE) rating methodology. OCP's business profile is strong and underpinned by its vertical integration, competitive cost position, exceptionally large ore reserves and leading market positions.

KEY RATING DRIVERS

Deleveraging on VAT Credit Reimbursement: Our rating case factors in the reimbursement of MAD20.5 billion of the VAT arrears in October 2018. As the largest contributor to the investment drive of state-owned companies, OCP had accumulated MAD21.3 billion in VAT credit of since 2012. In line with the mechanisms put in place for the private sector in early 2018, the government is securing long-term factoring facilities from banks to settle the VAT claims of state-owned entities. The proceeds are paid by the banks to the VAT creditors on a no recourse basis for principal. Interest payments will be serviced by the companies.

Improving Headroom Under SCP: The repayment of the arrears restores much needed headroom under OCP's standalone credit profile (SCP), which incorporates an investment grade business profile but has been constrained by sustained high leverage over 2016-2017 on the back of weak market conditions, high expansionary capex and the VAT credit arrears build-up. FFO adjusted net leverage excluding the VAT arrears peaked at 3.4x in 2016 (5.5x including arrears) and is expected to be sustained just below 3.0x until end-2019, post VAT settlement. Our base case assumes that the funds will cover upcoming debt maturities and negative FCF as capex is expected to peak in 2019.

The net leverage ratio is forecast to decline to 2.3x at end-2021, which leaves limited headroom for unforeseen outflows vs. the 2.5x sustained threshold commensurate with a 'BBB-' rating. Our base case assumes no reoccurrence of the VAT arrears over 2019-2021 and positive pricing market dynamics beyond 2019. Evidence of sustainable increase in headroom under the 2.5x sensitivity beyond 2019 would support positive rating action on the group's 'BB+' SCP.

Rating Linkage with Morocco: Under our GRE methodology, OCP scores 22.5 for overall support, which maps to a one-notch uplift. This reflects Fitch's view that the group would be likely to receive exceptional support from the state should its creditworthiness deteriorate materially. This is particularly the case as OCP has completed the first phase of its investment programme and ranks as Morocco's largest non-financial corporate issuer of international bonds. This assessment also captures the fact that despite its 94% state ownership, OCP is run as an independent profit-oriented entity with no legal ties to the state.

Positive Outlook for Phosphates Prices: In contrast with its previous outlook, Fitch has revised its pricing assumptions for phosphate fertilisers. This reflects the upwards trends observed in 2018, which have been driven by the high cost of ammonia and sulphur, the slower-than-expected pace of ramp-up for OCP and Ma'aden phosphates production, strong imports from India and a pick-up of demand in Brazil. Prices are assumed to decline in 2019 on the back of OCP and Ma'aden's ramp-ups and potential pressures from a recovery in utilisation rates in China. Beyond 2019, strong demand growth and the absence of further meaningful capacity additions should support prices.

Strong 2018 Performance Expected: EBITDA increased 35.5% in 1H18 vs 1H17, bringing margins back to 30%. This was primarily driven by higher fertilisers export prices, only partially offset by higher sulphur prices on the cost side. The remarkable increase in fertiliser revenue was also a consequence of exports to India and increased volumes at the Jorf Lasfar units. We forecast revenue growth of around 15% in 2018 and Fitch-adjusted EBITDA margin at 32%. We assume low single digit growth on the back of supply-driven pricing pressure in 2019, and a slight reduction in margins as the ramp up of the fourth integrated unit partly offsets lower profitability.

Phase 1 Completion Underpins Ratings: The successful completion of the first phase OCP's programme and the associated product diversification, production flexibility and efficiency improvements is a key support for the ratings and underlying investment grade business profile. The fourth fertilizer unit in Jorsf-Lasfar was commissioned in April 2018 and will bring OCP's capacity to 12 million tonnes per year. This marks the end of the first phase of its 2008-2025 MAD179 billion investment programme, which has included the slurry pipeline, the expansion of mine capacity (open pit), beneficiation and granulation plants, the expansion of its port infrastructure and the construction of four identical fully integrated fertiliser production units of 1mt each.

Capex Offers Flexibility: Our base case assumes that capex peaks at MAD15.6 billion in 2019 as the last payments related to phase one are settled. The second phase of the programme is no longer expected in the form and scale envisaged 10 years ago and OCP is exploring alternatives such as the MOU signed with Abu Dhabi National Oil Company. We assume capex at around MAD11 billion beyond 2019, i.e. well above maintenance levels, to support granulation and phosphoric acid capacity increases, logistics and debottlenecking exercises. Along with dividend distributions, this translates into sustained negative FCF, but OCP has demonstrated its ability to scale back investments should operating cash flows come under pressure.

Cadmium Restrictions: The potential impact of cadmium restrictions in fertilisers exported to the EU are not captured in OCP's ratings. The European Commission is considering proposals to gradually reduce the cadmium content in phosphate fertilisers to 60mg/kg, 40mg/kg after three years and ultimately 20mg/kg. North African phosphate reserves have high cadmium content and the restrictions below 40mg would affect OCP's capacity to export towards the EU or require the adoption of a decadmiation technology, which will likely affect their final price to customers. Fitch is monitoring these developments and the timeline for the adoption and implementation of these proposals remains uncertain and likely to pose challenges beyond the rating horizon.

DERIVATION SUMMARY

OCP's 'BBB-' rating incorporates a one-notch uplift for state support (Morocco) in line with Fitch's GRE methodology. Its SCP has been constrained by its sustained high leverage but its business profile is strong and commensurate with peers in the 'BBB' category, with vertical integration, competitive cost position, exceptionally large ore reserves, and leading market positions. Following the reimbursement of MAD20.5 billion of VAT credit arrears, the group's FFO adjusted net leverage is expected to gradually decline to around 2.3x by 2021.

Peers include PJSC PhosAgro (BBB-/Stable), whose rating reflects its leading position as Russia's largest phosphate fertiliser producer, low-cost mining operations, ability to switch between DAP/MAP and complex fertilisers, efficient capex spending and conservative financial profile with net leverage sustained below 2.0x through the cycle.

EuroChem AG (BB/Stable) benefits from a competitive cost position and, similarly to OCP, is coming out of a phase of expansionary investments which, against the backdrop weak market conditions, had put some pressure on its financial profile. FFO adjusted net leverage is expected to trend down from 4.5x at end-2017 as capex levels normalise and FCF turns positive. OCP's Russian peers' ratings also capture the risks associated with their jurisdictional and business environment.

Other international peers include Israel Chemicals Limited's (ICL, BBB-/Stable) with higher cost phosphate and potash operations but resilient specialty chemicals underpinning stable margins through the cycle. ICL's net leverage is expected at around 2.5x. US peer The Mosaic Company's (BBB-/Stable) rating reflects its market position as the largest integrated fertilizer producer with presence across all nutrients, good cost control, long mines lives. Net leverage peaked as a result of the acquisition of Vale Fertilizantes and is expected to decline on the back of positive FCF generation.

KEY ASSUMPTIONS

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Volume growth of 10% in 2018, 2% in 2019 and 9-10% in 2020-2021, as capacity ramps up
- Single digit drop in phosphate fertiliser prices in 2019 and gradual recovery thereafter. Low single digit increases in phosphate rock prices yoy beyond 2019. Phosphoric acid prices to remain broadly stable in 2019-2021;
- EBITDA margins at 32% for 2018, 31% in 2019 and gradually increasing to 35% in 2021;
- Capex: MAD13.8 billion in 2018, MAD15.6 billion in 2019, MAD11.2 billion in 2020 and MAD10.7 billion in 2021;
- VAT credit refunds from the government of MAD20.5 in 2018;
- Annual dividends ranging between MAD2.5 billion and MAD4.3 billion in 2021

RATING SENSITIVITIES

Developments That May, Individually or Collectively, Lead to Positive Rating Action

- FFO adjusted net leverage sustainably below 2.5x

- Completion and ramp up of phase one expansionary programme with incremental profitability improvements
Developments That May, Individually or Collectively, Lead to Negative Rating Action
- FFO adjusted net leverage sustainably above 3.0x
- Pressure on Morocco's ratings and/or evidence of upstreaming of cash (dividends, taxation) or recurrence of sizeable VAT arrear build up detrimental to the credit standing of the group.

LIQUIDITY
Strong Liquidity: As of June 2018, OCP reported cash and cash equivalent of MAD10.3 billion against short-term debt of MAD7.7 billion. Under our base case, cash reserves will be significantly boosted by the reimbursement of the MAD20.5 billion VAT credit arrears in 2018. We assume that these will be used to cover debt maturities and negative FCF, which we forecast at MAD8.9 billion and MAD7.0 billion in 2018 and 2019, respectively, on the back of high capex and dividends.

We assume that OCP will continue to access the domestic and international bank and debt capital markets for its investment and refinancing needs. In 1H18, the group issued a new local currency hybrid of MAD5 billion. Terms and conditions are in line with the instrument issued in 2016 and the debt has been granted a 50% equity credit in line with Fitch's Corporate Hybrids Treatment and Notching Criteria.

Furthermore, we view positively the company's willingness and ability to tailor capex and dividend payments to match fluctuations in operating cash flow generation.

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Summary of Financial Statement Adjustments
- 50% equity credit for hybrid debt.
- MAD31 million of overdraft was reclassified to debt from cash
- MAD9.4 billion was reclassified from trade payables to other payables

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Additional information is available on www.fitchratings.com. For regulatory purposes in various jurisdictions,

Exhibit II-76

Morocco

Corporate - Taxes on corporate income

Last reviewed - 06 September 2019

In general, the Moroccan Tax Code considers that all revenues and capital gains generated in Morocco are subject to Moroccan taxation.

Companies are taxed on the difference between their trading income and expenditure. Business expenses incurred in the operation of the business are generally deductible unless specifically excluded.

The CIT rates are as follows (progressive scale):

Taxable income (MAD)		CIT rate (%)
From	To	
0	300,000	10
300,001	1,000,000	17.5
1,000,001	and above	31

A higher CIT rate of 37% applies to credit institutions and insurance companies.

Non-resident companies can, under certain conditions, opt for an alternative tax at the rate of 8% of the amount of their contract, whatever the taxable income is.

Minimum contribution

CIT cannot be lower than a minimum contribution of 0.75% (or 0.25% for specific products) levied on the turnover and other specific revenues. The minimum contribution is not due during the first 36 months following the beginning of activities.

There are no provincial or local taxes levied on income in Morocco.

Exhibit II-77

Morocco's new finance law updates tax rates and exemptions

Finance Law No. 70-19 (FL 2020), relating to FY 2020, was enacted by Dahir No. 1-19-125 on December 13, 2019 and published in Official Gazette No. 6838 bis on December 14, 2019. The provisions of the new finance law should be read in conjunction with the recommendations from the national tax conference that took place in May 2019, as well as the conclusions made by the European Commission that placed Morocco on the grey list of tax jurisdictions in non-EU countries. This article includes an overview of the main measures introduced by FL 2020.

Corporate income tax (CIT) and individual income tax (IIT) on professional activities are now subject to the standard regime.

Changes to the Standard CIT Rates

FL 2020 amended the progressive CIT rate that came into force in 2019, increasing the intermediary rate of 17.5% to 20% for companies having a taxable income between Dh300,000 ($13,300) and Dh1m ($104,000). In addition, the marginal rate of 31% was reduced to 28% for companies performing industrial activities with taxable income under Dh100m ($10.4m).

FL 2020 also extended the 37% flat rate currently applicable to insurance companies to *takaful* (Islamic insurance) insurance and reinsurance companies and takaful insurance and reinsurance funds. These new rates are applicable for financial years open as of January 1, 2020.

Minimum Contribution Rate

The Moroccan Tax Code provides for a minimum CIT contribution, notably for companies that are in a tax loss position after a 36-month exemption period. This contribution is calculated based on the turnover plus other income as defined by Article 144 of the tax code.

The finance law from 2019 increased the rate of these types of contributions from 0.5% to 0.75%. This rate was applicable for financial years as of January 1, 2019.

FL 2020 decreased this rate again to 0.5% but introduced an exception: where the current income, excluding capital allowances, of a company is declared as a loss position for two consecutive years beyond the exemption period mentioned, the applicable rate becomes 0.6%.

These new rates are applicable to declarations filed as of January 1, 2020, and therefore to financial years ending on December 31, 2019.

Changes to the Export Regime

Before FL 2020, the Moroccan Tax Code provided for a fiveyear CIT or professional IIT exemption, followed by a reduced CIT rate of 17.5% and professional IIT rate of 20% for export transactions. FL 2020 changed this by repealing the five-year exemption and increasing the 17.5% CIT rate to 20%.

Transitional measures were introduced along with this provision: enterprises that performed their first export transaction before January 1, 2020 are allowed to benefit from the five-year exemption until its expiry.

The new 20% rate is applicable to financial years that were opened on or after January 1, 2020, which means that the 17.5% is still applicable to financial year 2019.

Casablanca Finance City Tax Policies

Before FL 2020, two distinct regimes were applicable to companies benefitting from Casablanca Finance City (CFC) status:

• A five-year exemption followed by a permanent taxation rate of 8.75% for service companies applied to export transactions and foreign source capital gains on the sale of securities; and

• A permanent 10% taxation rate for regional and international headquarters of multinational companies. In addition to this reduced rate, companies were subject to a specific calculation of the taxable basis whereby it corresponded to a minimum of 5% of their operating expenses. FL 2020 repealed the specific regime for CFC companies applicable to regional and international headquarters and introduced a new 15% rate