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	7,257
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).

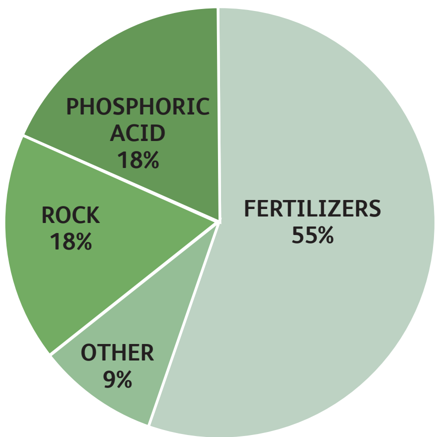
The Group thus achieved a 34 % increase in EBITDA, ie +4.4 billion dirhams, with a contribution to this increase of the northern axis of MAD3 billion and the central axis of MAD 1.1 billion.

3.2 REVENUE BY PRODUCT AND BY GEOGRAPHIC AREA

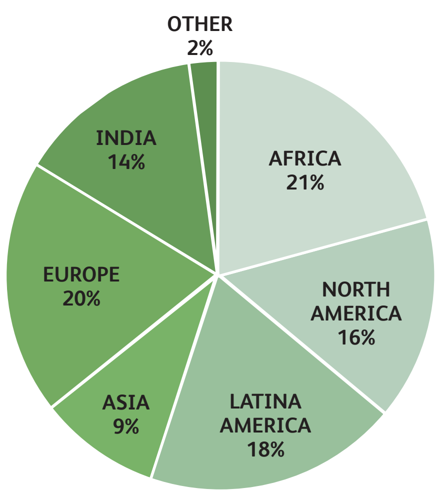
In 2018, revenue amounted to 55,906 MMAD, up 15 % compared to 2017.

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

	Post-employment benefits					
(In millions of dirhams)	*Pension supplement*	*Medical plans*	*Fixed retirement allocation*	*Total post-employment benefits*	*Other long-term benefits*	*Total employee 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*	*Reclassification*	*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 INTANGIBLE ASSETS VARIATION

(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 1er 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

Les Auditeurs Indépendants

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