CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

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Key figures

(In millions of dirhams)	Note	FY2019	FY2018
Revenue	4.1.1.2	**54,092**	**55,906**
Profit (loss) from joint ventures	6.1	360	399
EBITDA		**15,333**	**17,076**
Operating profit (loss) before exceptional items		7,866	11,256
Cost of net financial debt	10.1.5	(1,511)	(1,567)
Net profit (loss) Group share		**2,843**	**5,425**
Consolidated equity Group share		77,191	78,859
Net financial debt		45,499	35,193
Net operating investments		13,964	10,801
Basic and diluted earnings per share (in dirhams)	12.4	**29.56**	**62.04**
Dividend per share (in dirhams)	12.3	**40.73**	**30.17**

Significant events of the period

Impact of the first application of IFRS 16 for OCP Group

Since 1st January 2019, the Group is appling IFRS 16 «Leases» using the «simplified retrospective» method: the cumulative effects of the first application were insignificant and therefore had no impact on opening equity at January 1st, 2019.
In addition, the 2018 data, presented for comparative purposes, has not been adjusted.
With the application of this new standard, OCP Group now accounts for all of its leases in the Balance sheet, except for contracts within 12 months of the end of the year or for contracts of value unitary new to less than $ 5,000. (see Note1-1.1-A)

Events after the reporting period

Creation of a national hotel center of excellence

To support the development of a sector with high growth potential and employement for the Moroccan economy, OCP Group, ONCF and the Hassan II Fund annouced an alliance in the high-end hotel sector to create a reference player. This pole will include historic hotel assets from Morocco, owned and developed so far by ONCF: Mamounia in Marrakech, Palais Jamai in Fez, and Michlifen in Ifrane as well as Marchica Lagoon Resort in Nador, recently opened..

The structuring of this alliance is currently underway. The new partnership scheme will be published in 2020.

OCP contribution to the fight against the Covid-19 pandemic

In order to alleviate the impact of the coronavirus on the national economy, Morocco has decreed, following Royal instructions, the establishment of a special fund to face the COVID-19 pandemic.
In a sense of patriotism and solidarity approach and as a leading national player, OCP Group has granted MAD 3 billion to this fund, thus strengthening the common citizen effort of a number of companies and other contributors .
It should be noted that the health crisis related to COVID-19 doesn't jeopardize the continuity of the OCP Group's activity.

Consolidated Statement of Profit and Loss

(In millions of dirhams)	*Note*	*FY2019*	*FY2018*
Revenue	**4.1.1.2**	**54,092**	**55,906**
Production held as inventory		1,901	1,728
Purchases consumed	4.2.2	(21,768)	(22,398)
External expenses	4.2.2	(9,738)	(9,780)
Personnel expenses	5.1	(9,213)	(8,481)
Taxes		(319)	(288)
Profit (loss) from joint ventures	6.1	360	399
Exchange gains and losses on operating receivables and payables		(68)	(60)
Other operating income and expenses		86	49
EBITDA		**15,333**	**17,076**
Amortization, depreciation and operating provisions	8.4/9.2	(7,467)	(5,820)
Operating profit (loss) before exceptional items		**7,866**	**11,256**
Other nonrecurring operating income and expenses	7.2	(1,504)	(1,250)
Operating profit (loss)		**6,362**	**10,006**
Cost of gross financial debt		(1,988)	(1,865)
Financial income from cash investments		477	299
Cost of net financial debt	**10.1.5**	**(1,511)**	**(1,567)**
Exchange gains and losses on financial receivables and payables	10.2.3	50	(412)
Other financial income and expenses	10.2.3	(161)	(1,325)
Financial profit (loss)		**(1,622)**	**(3,304)**
Profit (loss) before tax		**4,741**	**6,702**
Corporate income tax	11.2/11.3	(1,725)	(1,100)
Net profit (loss) for the period		**3,016**	**5,602**
Net profit (loss) Group share		2,843	5,425
Net profit (loss) Noncontrolling interests		173	178
Basic and diluted earnings per share in dirhams	12.4	**29.56**	**62.04**

Consolidated Statement of Comprehensive Income

(In millions of dirhams)	*FY2019*	*FY2018*
Net profit (loss) for the period	**3,016**	**5,602**
Actuarial gains or losses	(711)	(377)
Taxes	143	71
Financial assets at fair value by OCI		(521)
Items that will not be reclassified to profit or loss	**(568)**	**(827)**
Translation differences	(37)	(13)
Share of gains and losses recognized in equity (CFH variation)*	(55)	(321)
Taxes**	12	68
Share of gains and losses recognized in equity on joint ventures		13
Items that may be reclassified to profit or loss	**(80)**	**(253)**
Income and expenses for the period, recognized directly in equity	**(647)**	**(1,080)**
Consolidated comprehensive income	**2,368**	**4,522**
Including Group share	*2,195*	*4,344*
Including noncontrolling interests' share	*173*	*178*

(*) 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 2019*	*31 December 2018*
ASSETS			
Current assets			
Cash and cash equivalents	10.1.3.1	13,487	17,141
Cash financial assets		573	5,654
Inventories	4.2.4.2	14,996	13,213
Trade receivables	4.1.2.2	8,142	10,279
Other current assets	7.3	15,124	9,383
Total current assets		**52,323**	**55,669**
Noncurrent assets			
Noncurrent financial assets	10.2.2	1,020	872
Investments in equity-accounted companies	6.1	3,882	3,802
Deferred tax assets	11.4	79	16
Property, plant and equipment	8.2	108,464	101,589
Intangible assets	8.3	1,095	510
Total noncurrent assets		**114,540**	**106,788**
Total Assets		**166,864**	**162,458**

(In millions of dirhams)	*Note*	*31 December 2019*	*31 December 2018*
LIABILITIES			
Current liabilities			
Current loans and financial debts		7,267	7,123
Current provisions	9.3	353	328
Trade payables	4.2.5	15,010	12,230
Other current liabilities	7.4	6,383	5,257
Total current liabilities		**29,014**	**24,939**
Noncurrent liabilities			
Noncurrent loans and financial debts	10.1.2.1/10.1.2.2	52,292	50,864
Noncurrent provisions for employee benefits	9.3	5,380	4,616
Other noncurrent provisions	9.3	519	757
Deferred tax liabilities	11.4	1,031	993
Total noncurrent liabilities		**59,223**	**57,230**
Equity Group share			
Issued capital	12.1	8,288	8,288
Paidin capital		18,698	18,698
Consolidated reserves Group share		47,363	46,450
Net profit (loss) Group share		2,843	5,424
Equity Group share		**77,191**	**78,859**
Noncontrolling interests		1,436	1,430
Total equity		**78,627**	**80,290**
Total liabilities and equity		**166,864**	**162,458**

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 31st December 2017	**8,288**	**18,698**	**(2,370)**	**4,817**	**38,613**
Allocation of profit (loss) FY2018					4,567
Consolidated comprehensive income for FY2018			**(306)**		
The issue of subordinated debts				5,000	
Subordinated debt's coupons				(328)	
Dividends paid					(2,478)
Others					(60)
Equity as at 31 December 2018	**8,288**	**18,698**	**(2,676)**	**9,489**	**40,642**
Change in accounting methods as at January 1st , 2019*					(72)
Equity as at 1st January 2019	**8,288**	**18,698**	**(2,676)**	**9,489**	**40,570**
Allocation of profit (loss) FY2019					5,425
Consolidated comprehensive income for FY2019			**(568)**		
Subordinated debt's coupons				(414)	
Dividends paid					(3,346)
Others					(31)
Equity as at 31 December 2019	**8,288**	**18,698**	**(3,244)**	**9,075**	**42,618**

(*) Change in accounting methods related to the first application of IFRIC 23 Interpretation «Uncertainty over Income Tax Treatments» as at January 1st, 2019.

Translation difference	*Financial assets at fair value by OCI*	*Share of gains and losses recognized in equity (CFH variation)*	*Net profit (loss)*	*Total equity Group share*	*Noncontrolling interests*	*Total equity*
(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**
				(72)		(72)
(236)	**(521)**	**(250)**	**5,425**	**78,787**	**1,430**	**80,218**
			(5,425)			
(37)		**(43)**	**2,843**	**2,195**	**173**	**2,368**
				(414)		(414)
				(3,346)	(170)	(3,516)
				(31)	2	(29)
(273)	**(521)**	**(293)**	**2,843**	**77,191**	**1,436**	**78,627**

Consolidated Statement of Cash Flows

(In millions of dirhams)	*Note*	*31 December 2019*	*31 December 2018*
EBITDA		**15,333**	**17,076**
Subsidies and donations		(1,140)	(797)
Other noncurrent operating income and expenses		(51)	(35)
Other noncurrent operating income and expenses prior period		(91)	(333)
Profit or loss of associates and joint ventures		(360)	(399)
Other movements		(652)	(136)
Funds from operations		**13,039**	**15,375**
Impact of the change in WRC:		**248**	**(6,820)**
Inventories		*(1,777)*	*(3,008)*
Trade receivables		*2,142*	*(4,291)*
Trade payables		*1,506*	*(416)*
Other current assets and liabilities		*(1,622)*	*895*
Taxes paid		(1,291)	(855)
Total net cash flows related to operating activities		**11,996**	**7,700**
Acquisitions of PP&E and intangible assets (1)		(13,964)	(10,801)
Disposals of PP&E and intangible assets		29	95
Net financial investments (2)		5,032	9,540
Impact of changes in scope			20
Acquisitions of financial assets		(373)	(441)
Disposal of financial assets			1
Dividends received		285	256
Total net cash flows related to investing activities		**(8,990)**	**(1,331)**
Loan issue		6,228	11,338
Loan repayement		(6,765)	(8,791)
Issue of hybrid securities			5,000
Hybrid securities coupons		(414)	(328)
Net financial interest payments		(2,199)	(2,176)
Dividends paid to Group shareholders	12.3	(3,346)	(2,478)
Dividends paid to minority shareholders		(170)	(170)
Total net cash flows related to financing activities		**(6,666)**	**2,395**
Impact of changes in exchange rates on cash and cash equivalents		(3)	(12)
Net increase/(decrease) in cash and cash equivalents		**(3,663)**	**8,752**
Opening cash and cash equivalents	10.1.3.1	17,140	8,388
Closing cash and cash equivalents	10.1.3.1	13,477	17,140
Change in net cash		**(3,663)**	**8,752**

(1) Acquisitions of PP&E and intangible assets are net of fixed assets liabilities for MAD 1,866 million for 2019 vs. MAD 1,289 million for 2018.

(2) The change in financial investments is mainly due to the change in term deposits with maturities of more than 3 months, which generated a positive cash flow of MAD 5 billion.

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 «Autorité Marocaine du Marché des Capitaux -AMMC» entered into force on 1st April 2012, the consolidated financial statements of 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 2019 were approved by the Board of Directors on 17 March 2020.

The accounting principles and methods adopted for the preparation of the consolidated accounts of OCP Group as at 31 December 2019 are identical to those used for the preparation of the consolidated financial statements for the year ended 31 December 2018, 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 1st January 2019.

1.2. STANDARDS AND INTERPRETATIONS APPLIED AT 1ST JANUARY 2019

The impacts from 1st January 2019 of applying IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" are described in sections A and B detailed below.

The other standards and interpretations mandatorily applicable from 1st January 2019 have no significant impact on OCP's consolidated financial statements at 1st January 2019. These are mainly:

- Amendments to IFRS 9 "Prepayment Features with Negative Compensation";
- Amendments to IAS 28 "Investments in Associates and Joint Ventures";
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement";
- Annual Improvements 2015-2017 cycle..

A. IFRS 16 « Leases »

On 1st January 2019, the Group applied IFRS 16 to leases in existence on the transition date according to the "simplified retrospective"approach. Therefore 2018 figures, presented for comparison purposes, have not been adjusted in accordance with the transitional provisions of IFRS 16.

IFRS 16 "Leases" results in major changes in the way that lessees recognise leases. It is replacing the IAS 17 accounting standard along with the IFRIC 4, SIC 15 and SIC 27 interpretations. IFRS 16 requires lessees to use a single method for recognising leases, affecting the Statement of Financial Position in a similar way to finance leases as recognised until 31 December 2018 in accordance with IAS 17. The Group is not a party to any material leases in which it is the lessor, other than some intragroup leases. The accounting treatment of leases in which it is the lessor has not been substantially changed under IFRS 16 as compared with the accounting rules applicable until 31 December 2018.

The Group applies the IFRS 16 provisions described below for all its leases relating to underlying assets whose value, in brandnew condition, is significant and/or where the lease term is more than 12 months taking into account renewal options included in the lease contract.

Leases designated as finance leases at 31 December 2018

On the transition date, the Group did not adjust the value of assets and liabilities related to leases designated as finance leases under IAS 17. The assets were reclassified as usage rights and finance lease liabilities are now presented under overall lease liabilities. The provisions of IFRS 16 will be applied to events that may take place after the transition date.

Leases designated as operating leases at 31 December 2018

Since IFRS 16 came into force, the Group has recognized a lease liability reflecting the sum of lease payments still to be made, discounted at the marginal interest rate of the liability determined according to the method explained below, with a balancing entry consisting of the right to use the underlying asset. According to the simplified approach, the amount of usage rights is equal to the amount of the lease liability recognized.

Leases with term less than 12 months or relating to lowvalue assets are still recognized in the income statement with no impact on the Group's Statement of Financial Position.

Lease terms include the minimum lease terms and any renewal periods provided for in the lease.

Variable lease payments or services related to the lease are not taken into account in determining the amount of the right of use and the lease liabilities, and are recognized as expenses when incurred.

To determine the marginal interest rate used to calculate the lease liability, the Group took into account the weighted average duration of payments and country risk.

As set out below, the firsttime application of IFRS 16 resulted in an increase of the rights of use of tangible assets (technical equipment and transport equipment) and an increase in financial debts.

Consolidated Statement of Financial Position as 1st January 2019 :

(In millions of dirhams)	*31 December 2018*	*IFRS 16 Impact*	*1st January 2019*
ASSETS			
Current assets			
Cash and cash equivalents	17,141		17,141
Cash financial assets	5,654		5,654
Inventories	13,213		13,213
Trade receivables	10,279		10,279
Other current assets	9,383		9,383
Total current assets	**55,669**		**55,669**
Non-current assets			
Non-current financial assets	872		872
Investments in equity-accounted companies	3,802		3,802
Deferred tax assets	16		16
Property, plant & equipment	101,589	1,887	103,476
Intangible assets	510		510
Total non-current assets	**106,788**	**1,887**	**108,675**
Total Assets	**162,458**	**1,887**	**164,345**

(In millions of dirhams)	*31 December 2018*	*IFRS 16 Impact*	*1st January 2019*
LIABILITIES			
Current liabilities			
Current loans and financial debts	7,123	263	7,386
Current provisions	328		328
Trade payables	12,230		12,230
Other current liabilities	5,257		5,257
Total current liabilities	**24,939**	**263**	**25,202**
Noncurrent liabilities			
Noncurrent loans and financial debts	50,864	1,624	52,488
Noncurrent provisions for employee benefits	4,616		4,616
Other noncurrent provisions	757		757
Deferred tax liabilities	993		993
Total noncurrent liabilities	**57,230**	**1,624**	**58,854**
Equity Group share			
Issued capital	8,288		8,288
Paidin capital	18,698		18,698
Consolidated reserves Group share	46,450		46,450
Net profit (loss) Group share	5,424		5,424
Equity Group share	**78,859**		**78,859**
Noncontrolling interests	1,430		1,430
Total equity	**80,290**		**80,290**
Total liabilities and equity	**162,458**	**1,887**	**164,345**

B. IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 supplements IAS 12 “Income Taxes” by specifying arrangements for measuring and recognizing uncertainty relating to income tax.

Procedures carried out by the Group did identify a firsttime application impacts that have been accounted for in equity.

1.3 STANDARDS AND INTERPRETATIONS ADOPTED BY THE IASB BUT NOT YET APPLICABLE AT 31 DECEMBER 2019

The Group has not applied early the following standards and interpretations that could concern the Group and of which application was non mandatory at 1st January 2019:

- Amendments to IAS 1 and IAS 8 “Definition of Material”;
- Amendments to IFRS 3 “Definition of a Business”.

A study of the impacts and practical consequences of applying these amendments is under way.

However, they do not contain any provisions that are contrary to the Group’s current accounting practices.

Note 2 Consolidation Scope

2.1. CONSOLIDATION SCOPE

Entity	Country of location	Currency	31 December 2019		31 December 2018	
			Consolidation method	% Interest	Consolidation method	% Interest
Industrial						
OCP S.A. - Holding	**Morocco**	**MAD**	**Parent Company**	**100.00**	**Parent Company**	**100.00**
Phosboucraâ	Morocco	MAD	Full	100.00	Full	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	EM	33.33	EM	33.33
Indo Morocco Phosphore - IMA	Morocco	MAD	EM	33.33	EM	33.33
Pakistan Morocco Phosphore - PMP	Morocco	MAD	EM	50.00	EM	50.00
Paradeep Phosphates Ltd. - PPL	India	INR	EM	50.00	EM	50.00
Groupe PRAYON	Belgium	EUR	EM	50.00	EM	50.00
Trading						
OCP Africa	Morocco	MAD	Full	100.00	Full	100.00
Black Sea Fertilizer Trading Company	Turkey	TRY	Full	70.00	Full	70.00
OCP Fertilizantes	Brazil	BRL	Full	100.00	Full	100.00
SAFTCO	Swiss	USD	Full	100.00	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
Fondation OCP	Morocco	MAD	Full	100.00	Full	100.00
Fondation Phosboucraa	Morocco	MAD	Full	100.00	Full	100.00
Université MED6 polytechnique - UM6P	Morocco	MAD	Full	100.00	Full	100.00
Lycée d'Excellence de Benguerir - Lydex	Morocco	MAD	Full	100.00	Full	100.00
Association pour la Promotion de l'Enseignement d'Excellence -APEE*	Morocco	MAD	Full	100.00		
Foncière Endowment 1-FE1 *	Morocco	MAD	Full	100.00		
Jacobs Engineering S.A. - JESA	Morocco	MAD	EM	50.00	EM	50.00
Dupont OCP Operations Consulting - DOOC	Morocco	MAD	EM	50.00	EM	50.00
OCP Solutions	Morocco	MAD	Full	100.00	Full	100.00
TEAL Technology & Services - TTS	Morocco	MAD	EM	49.00	EM	49.00
Société d'Aménagement et de Développement de Mazagan - SAEDM	Morocco	MAD	EM	51.00	EM	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

* New entities

2.2. SCOPE CHANGES

The Group's consolidation scope has changed with the creation of two entities : the "Association pour la Promotion de l'Enseignement d'Excellence" and "Foncière Endowment – I". These two entities are 100 % owned and controlled by OCP. They meet the needs for restructuring the activities of the OCP Foundation and the Mohammed VI Polytechnic University.

Note 3 - Segment reporting

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

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

• **Central Axis (Youssoufia and Benguerir – Safi) and Phosboucraâ:** this axis hosts:
- The integrated phosphate processing hub. The phosphate extracted at Youssoufia and Benguerir is transported by rail to Safi, where processed into phosphoric acid and fertilizer. The finished products are exported from the OCP port at Safi.
- Phosboucraâ's extraction site. The phosphate extracted there is transported by conveyer to the processing center at Laâyoune, then exported by sea from 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 & Phosboucraa*		*Head-office and other activities*		*Intersegment eliminations*		*TOTAL*	
	FY 2019	*FY 2018*	*FY 2019*	*FY 2018*	*FY 2019*	*FY 2018*	*FY 2019*	*FY 2018*	*FY 2019*	*FY 2018*
Revenue	**41 038**	**42 493**	**11 102**	**12 968**	**3 931**	**2 709**	**(1 979)**	**(2 265)**	**54 092**	**55 906**
Production held as inventory	1 598	934	682	396	(379)	398			1 901	1 728
Purchases consumed	(16 470)	(16 968)	(3 466)	(4 009)	(3 527)	(3 634)	1 694	2 213	(21 768)	(22 398)
External expenses	(5 116)	(5 320)	(2 420)	(2 574)	(2 703)	(2 412)	501	526	(9 738)	(9 780)
Personal expenses	(4 234)	(4 115)	(2 799)	(2 694)	(2 180)	(1 671)			(9 213)	(8 480)
Taxes	(163)	(159)	(83)	(101)	(73)	(27)			(319)	(288)
Income from joint ventures	211	262			150	137			360	399
Exchange gains and losses on operating recevables and payables	(16)	(3)		11	(52)	(68)			(68)	(60)
Other operating income and expenses	154	48	2	(2)	145	477	(216)	(474)	86	49
EBITDA	**17 002**	**17 172**	**3 018**	**3 994**	**(4 688)**	**(4 091)**			**15 333**	**17 076**
Amortization, depreciation and operating provisions	(5 357)	(4 017)	(814)	(764)	(1 292)	(1 039)			(7 467)	(5 820)
Current operating profit (loss)	**11 646**	**13 155**	**2 206**	**3 230**	**(5 981)**	**(5 129)**			**7 866**	**11 256**
Other non-curent operating income and expenses	(239)	(324)	(292)	(188)	(973)	(738)			(1 504)	(1 250)
Operating profit (loss)	**11 403**	**12 831**	**1 908**	**3 042**	**(6 959)**	**(5 867)**			**6 362**	**10 006**

The Group sales decreased by 3 % in 2019 compared to 2018, due to the drop of prices during 2019.

Sales on the northern axis amounted to MAD 41 billion, 3 % lower compared to 2018, due to the impact of falling fertilizer prices.

Sales on the center axis decreased significantly, i.e -14 % compared to 2018. The decline in Phosphoric acid and Phosphates sales from Phosboucraâ impacted the revenue of this axis.

The Group's operating expenses remaine stable compared to 2018. The North and Center axis recorded lower expenses, mainly on the consumption of raw materials, offset by an increase in personnel expenses.

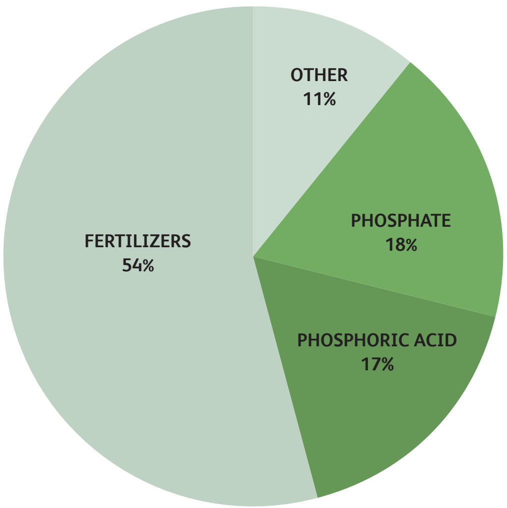
The Group's EBITDA decreased by 10 % ,mainly impacted by the decline in sales in 2019.

3.2 REVENUE BY PRODUCT AND GEOGRAPHICAL AREA

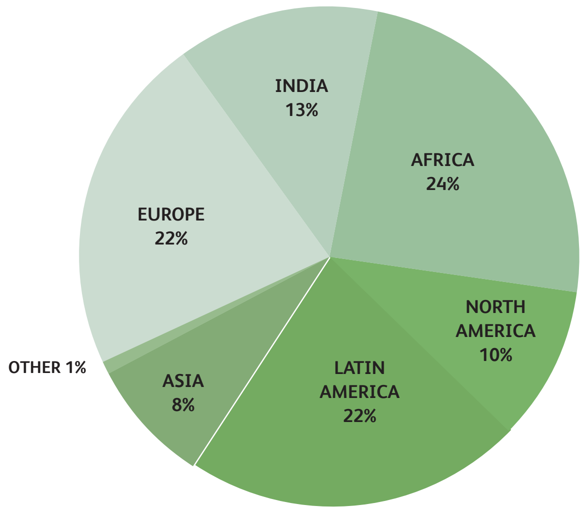
In 2019, Revenue amounted to MAD 54,092 million, 3 % lower compared to 2018.

The breakdown of net consolidated sales by product and by geographical area as at 31 December 2019 is detailed as follows:

REVENUE BY PRODUCT



REVENUE BY GEOGRAPHICAL AREA*



* Revenue of Phosphate, Phosphoric acid and Fertilizers.

The Group generates revenues with a diversified customer base. No client alone generates more than 10 % 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 the goods' ownership, 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)	*FY2019*	*FY2018*
Phosphate	9,474	9,900
Phosphoric acid	9,433	9,813
Fertilizers	29,257	30,490
Other income	5,929	5,703
Revenue	**54,092**	**55,906**

(In millions of dirhams)	Phosphate		Phosphoric acid		Fertilizers	
Main markets	*FY2019*	*FY2018*	*FY2019*	*FY2018*	*FY2019*	*FY2018*
Export sales	**7,137**	**8,298**	**8,187**	**8,437**	**28,584**	**29,864**
Europe	2,152	2,340	3,103	3,666	5,852	4,811
South America	1,812	2,022	502	413	8,949	7,262
North America		907	55		5,077	7,569
India	1,768	1,572	3,812	2,625	349	2,705
Africa	5	6	43	46	5,900	5,292
Asia	1,068	1,091	673	1,687	2,445	2,138
Oceania	331	359			11	86
Local sales	**2,336**	**1,601**	**1,245**	**1,378**	**674**	**627**
Total	**9,474**	**9,900**	**9,433**	**9,814**	**29,257**	**30,490**

(In millions of dirhams)	Phosphate		Phosphoric acid		Fertilizers	
Breakdown by third parties	*FY2019*	*FY2018*	*FY2019*	*FY2018*	*FY2019*	*FY2018*
Revenue	**15,825**	**14,448**	**9,433**	**9,814**	**30,885**	**32,380**
Outside the Group	6,171	7,450	6,749	7,326	29,273	30,516
Joint ventures	3,303	2,450	2,683	2,488	(16)	(25)
Intercompany sales	6,351	4,548			1,628	1,890
Eliminations	**6,351**	**4,548**			**1,628**	**1,890**
Total	**9,474**	**9,900**	**9,433**	**9,814**	**29,257**	**30,490**

Phosphate sales posted a net decrease of 4 % between 2018 and 2019. This decrease is explained by:

- The decline in volumes exported to North America and Latin America. Indeed, a new strategy from the Canadian Group Nutrien, the merger between Potash Corp and Agrium, has led to the cancellation of its supply of Phosphate from OCP.

- The drop in sales in Brazil following the acquisition of the client Vale Cubatao Fertilizantes by Mosaic.

- The decline in volumes exported to Europe during 2019 mainly explained by the lower sales, most particularly in Poland and Bulgaria.

Furthermore, the prices remained stable year-on-year at $ 78 / T FOB on the international market.

Phosphoric acid sales posted a net decrease of 4% between 2018 and 2019. This variation is mainly attributable to a drop in prices with a total impact of MAD -471 million due to lower sulfur prices.

In addition, volumes exported during 2019 were broadly stable.

Fertilizer sales also decreased by 4% between 2018 and 2019 (MAD -1,234 million) where increased export volumes were largely offset by decreased prices.
Indeed, the drop in prices had an impact of MAD -5,083 million, due to lower raw material prices , namely sulfur and ammonia, and a slightly oversupplied market.
The exported volumes increased by MAD +3,037 million. In fact, the Group was able to benefit from a good agricultural season in Europe, a favorable demand in Latin America prompted by the low level of Brazilian inventories at the start of the year, and government subsidies in Argentina, which encouraged the purchase of fertilizers.

Other revenues are mainly comprised of «Freight» business and other ancillary products, particularly the sale of gypsum, sulfuric acid, ammonia, etc. This line amounts to MAD 5.9 billion, i.e + 4% year-on-year.

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 nonrecovery.

4.1.2.2 ANALYSIS OF TRADE RECEIVABLES

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Trade receivables invoiced	9,133	10,659
Provisions trade receivables	(991)	(380)
Net trade receivables	**8,142**	**10,279**

Trade receivables show a decrease of MAD 2 billion between 2018 and 2019 in line with the decline in export sales mainly in the fourth quarter, as well as the decline in sales of intermediate products and other industrial services related to the shaping operations. Provisions –trade receivables are mainly relate to the depreciation of the receivables of the customer Heringer for an amount of MAD 466 million due to his financial difficulties.

Net trade receivable maturities as at 31 December 2019 are as follows:

(In millions of dirhams)	*Unmatured receivables*	*Matured receivables*			*Total*
		< 30 days	*30 - 180 days*	*more than 180 days*	
Net trade receivables	**5,819**	**389**	**635**	**1,299**	**8,142**

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 through 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 1st 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.
• 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.

OCP Group is present in more than fifty countries in the world. Its Revenue is mainly generated by export sales. OCP Group 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 nonrecourse credit insurance and factoring program signed with worldclass players.

4.2 PURCHASES CONSUMED AND EXTERNAL CHARGES

4.2.1 ACCOUNTING TREATMENT OF OPERATING CHARGES

Operating expenses are those related the operating business cycle of the company. They correspond to the expenses which contribute to sustainable wealth creation. The main operating expenses are generally the consumption of raw materials, consumable, nonstorable 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

Purchases consumed:

(In millions of dirhams)	*FY2019*	*FY2018*
Purchases of materials and supplies	(990)	(525)
Purchases of raw materials	(12,759)	(14,091)
Sulfur	*(6,989)*	*(8,069)*
Ammonia	*(3,714)*	*(3,873)*
Sulfuric acid	*(1,106)*	*(1,276)*
KCL	*(572)*	*(560)*
Other raw materials	*(377)*	*(312)*
Energy comsumption	(2,911)	(3,273)
Electric energy	(1,255)	(1,476)
Fuel	(983)	(1,123)
Diesel	(569)	(583)
Heating gas	(90)	(75)
Steam and others	(15)	(17)
Spare parts	(1,129)	(1,076)
Purchases of works, studies and services	(2,281)	(1,945)
Water supply	(153)	(149)
Auxiliary materials and othe purchases	(1,545)	(1,338)
Purchased consumables of materials and supplies	**(21,768)**	**(22,397)**

Commodities purchases decreased by MAD 1,332 million between 2018 and 2019. This variation is mainly due to the drop in sulfur purchases.

In fact, sulfur purchases decreased by MAD 1.08 billion following a 23 % drop in the price per tonne during 2019 ($ 112 / T CFR in 2019 compared to $ 145 / T CFR in 2018) as a result of the oversupply on the international market. Volumes increased by 10 % over the same period in correlation with the evolution in production of sulfuric acid.

Energy consumption amounted to MAD 2,911 million in 2019, a decrease of MAD 362 million compared to 2018. This decrease mainly concerns:

- Electric energy: an impact of MAD -221 million compared to 2018, explained by the decrease in purchases in Jorf Lasfar platform, which experienced disruptions in the production tools during 2018.

- Fuel : an impact of MAD -140 million, mainly due to the drop in dried volumes at Khouribga and Youssoufia.

Purchases of works, studies and services, increased by MAD 336 million in 2019 compared to 2018. This variation is explained by the increase in charges for digitization projects, as well as by the increase in logistics services (bagging, unloading, etc.) linked to the increase in sales to Ethiopia.

External expenses:

(In millions of dirhams)	*FY2019*	*FY2018*
Transport	(5,164)	(5,843)
ONCF transport on sales	*(851)*	*(980)*
Shipping on sales Freight	*(3,436)*	*(3,848)*
Truck phosphates transport	*(255)*	*(365)*
Personal transport	*(102)*	*(140)*
Other operating transport	*(520)*	*(511)*
Consulting and fees	(547)	(446)
Contributions and donations	(656)	(369)
Maintenance and repairs	(1,562)	(1,321)
Leases and lease expenses	(173)	(309)
Insurance premiums	(261)	(215)
Advertising, publications and public relations	(284)	(244)
Postal and telecommunications expenses	(114)	(71)
Researches and documentations	(86)	(165)
Remuneration of personal outside the company	(166)	(161)
Other external expenses	(725)	(636)
External expenses	**(9,737)**	**(9,780)**

External charges amounted to MAD 9.7 billion in 2019, it remained virtually stable compared to 2018, explained by the following variations:
• The decrease in shipping costs of MAD 412 million between 2018 and 2019 due to the reduction in ancillary costs (demurrage), explained by the decrease in the number of days of consignment of ports.

• The increase of the “maintenance and repairs” item of MAD 241 million following in particular the combination of overhaul works at the Jorf Lasfar and Phosboucraa sites and maintenance on the social infrastructures of Benguerir and Youssoufia, as well as digitalization work in connection with the extension of the application park.

• The increase in contributions and donations granted for MAD 287 million in 2019 compared to 2018, due to the increased scholarships granted to students and donations to different partners.

4.2.3 RISKS RELATED TO RAW MATERIALS

Sulphur supplies

On a global trade of 35 million tonnes per year, OCP Group imports nearly 6 million tonnes (2018) 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).

Sulphur prices

The price is fixed quarterly. The prices negotiated by 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 startup 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

The price of ammonia is volatile and consequently prices are fixed cargo by cargo or over a short period. However, the Group has entered into contracts with all the main suppliers (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 workinprogress, the cost includes an appropriate share of the overheads based on normal production capacity.

At the moment of sales, 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 subactivity.

4.2.4.2 ANALYSIS OF THE INVENTORIES EVOLUTION

(In millions of dirhams)	*31 December 2019*			*31 December 2018*		
	Gross	*Depreciation*	*Net*	*Gross*	*Depreciation*	*Net*
Consumable materials and supplies	5,332	(1,499)	3,832	5,737	(1,409)	4,327
Inprocess inventory	6,758	(13)	6,744	5,735		5,735
Finished products	4,466	(48)	4,419	3,241	(90)	3,151
Total Inventories	**16,556**	**(1,560)**	**14,996**	**14,713**	**(1,500)**	**13,213**

Inventories of consumables and supplies consists mainly of nonstrategic 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 Décember 2019*	*31 December 2018*
Trade payables	5,460	3,702
Fixed assets liabilities	9,550	8,529
Trade payables	**15,010**	**12,230**

Trade payables correspond to payables and fixed assets liabilities. This item shows a decrease of 22.7 % at 31 December 2019 compared to 31 December 2018, closely related to the continuation of the Group's investment program.

Note 5 - Expenses and employee benefits

5.1 PERSONNEL EXPENSES

(In millions of dirhams)	*FY2019*	*FY2018*
Employee remuneration and related social charges	(7 239)	(6 639)
Retirement benefits and medical cover	(1 308)	(1 178)
Other employee benefits	(666)	(664)
Personnel expenses	**(9 213)**	**(8 481)**

Personnel costs during 2019 amounted to MAD 9,213 million, + 9 % compared to 2018.

This is explained by the implementation of the 2018 Protocol of Agreement and the provision relating to the 2019 Protocol of Agreement, as well as by the increase in payroll following a series of recruitments deployed in particular at new subsidiaries (OCP Solutions, UM6P.)

5.2 NUMBER OF EMPLOYEES

(On number)	*31 December 2019*	*31 December 2018*
Non-excecutives	3,560	2,844
Technicians, Supervisors and Administrative executives	6,123	6,782
Manual workers and Clerical staff	10,182	10,463
Number of employees	**19,865**	**20,089**

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 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 600 million in 2019 compared to MAD 564 million in 2018.

• 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 experiencerelated adjustments (the effect of differences between previous actuarial assumptions and what actually happened) are actuarial gains and losses recorded in 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 2019	31 December 2018
Discount rate		
Pension supplement	3.94 %	4.52 %
Medical plans	3.54 %	4.22 %
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 agespecific 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 2022 as the year of changeover.

5.3.3 OBLIGATIONS RELATED TO SOCIAL LIABILITIES

(In millions of dirhams)	*Post-employment*				*Other longterm benefits*	*Total employee benefits*
	Pension supplement	*Medical plans*	*Fixed retirement allocation*	*Total postemployment benefits*		
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	(34)	434	(22)	378		378
Contributions		250		250		250
Other changes	30			30		30
Net obligations recognized at 1st January 2019	**458**	**3,363**	**665**	**4,486**	**130**	**4,616**
Benefits paid	(10)	(537)	(95)	(641)	(10)	(651)
Service cost	2	40	52	94		94
Expenses related to discounting of obligations	21	142	29	192		192
Actuarial losses or (gains) for the period	(93)	707	96	711		711
Contributions		271		271		271
Other changes	148			148		148
Net obligations recognized at 31 December 2019	**526**	**3,986**	**748**	**5,260**	**120**	**5,380**

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

(as % of the item measured) Sensitivity analysis +1%	*31 December 2019*		*31 December 2018*	
	Pension supplement	*Medical plans*	*Pension supplement*	*Medical plans*
Discount rate Impact on the current value of gross obligations at 31 December	-16 %	-10 %	-16 %	-10 %
Rate of change in medical costs Impact on the current value of gross obligations at 31 December		16 %		12 %

(as % of the item measured) Sensitivity analysis -1%	*31 December 2019*		*31 December 2018*	
	Pension supplement	*Medical plans*	*Pension supplement*	*Medical plans*
Discount rate Impact on the current value of gross obligations at 31 December	21 %	13 %	21 %	13 %
Rate of change in medical costs Impact on the current value of gross obligations at 31 December		-13 %		-10 %

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)	*FY2019*	*FY2018*
Short-term employee benefits	133	130
Post-employment benefits	22	21
Termination benefits employment contract		1
Total management compensation	**156**	**151**

Note 6 - Investments in Joint Ventures and associates

6.1 ANALYSIS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Paradeep Phosphates Limited - PPL	1,099	1,049
Groupe PRAYON	1,184	1,132
Pakistan Maroc Phosphore - PMP	775	729
Euro Maroc Phosphore - EMA	164	140
Indo Maroc Phosphore - IMA	362	422
Société d'Aménagement et de Développement de Mazagan - SAEDM*	289	287
Teal Technology Services - TTS*	12	4
Others	(1)	39
Total interests in joint ventures	**3,882**	**3,802**

*SAEDM and TTS being two associated companies.

6.2 STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENTS OF ASSOCIATES AND JOINT VENTURES

The note hereafter details at 100 % the lines of the Statement of Financial Position and income statement of the consolidated associates and joint ventures:

Statement of Financial Position

(In millions of dirhams)	*PRAYON*	*EMA*	*IMA*	*PMP*	*PPL*	*SAEDM*	*Others*
ASSETS							
Current assets							
Cash and cash equivalents	497	224	100	36	28	189	737
Cash financial assets					35		
Inventories	1,948	290	233	194	1,274	1,005	
Trade receivables	579	233	565	488	2,578		1,685
Current tax receivables			22				65
Other current assets	133	74	207	829	486	67	445
Total current assets	**3,157**	**820**	**1,127**	**1,547**	**4,402**	**1,261**	**2,932**
Noncurrent assets							
Noncurrent financial assets	12				4		8
Investments in equity-accounted companies	880						
Equity securities	16						121
Deferred tax assets	128						
Property, plant and equipment	2,096	75	463	678	2,079	4	47
Intangible assets	104	153	23	12	2	1	11
Total non-current assets	**3,236**	**228**	**485**	**690**	**2,085**	**5**	**187**
Total Assets	**6,392**	**1,048**	**1,613**	**2,237**	**6,487**	**1,266**	**3,119**

(In millions of dirhams)	PRAYON	EMA	IMA	PMP	PPL	SAEDM	Others
LIABILITIES							
Current liabilities							
Current loans and financial debts	1,196				2,617		7
Current provisions	13		1		103		2
Trade payables	1,235	361	447	637	1,200	178	850
Current tax liabilities		1		28	109		91
Other current liabilities	407	53	20	4	228	4	870
Total current liabilities	**2,851**	**415**	**467**	**669**	**4,257**	**182**	**1,820**
Non-current liabilities							
Non-current loans and financial debts	755	134		1		517	
Non-current provisions for employee benefits	187						
Other non-current provisions	21				33		
Deferred tax liabilities	214						
Other non current liabilities	10						
Total non current liabilities	**1,188**	**134**		**1**	**33**	**517**	
Equity Group share	536	180	620	800	774	608	116
Paidin capital		110					
Reserves	(60)	128	223	480	1,305		8
Retained earnings	1,777		165	20	(22)	(46)	981
Net profit (loss) Group share	100	80	137	267	140	5	194
Total equity	**2,353**	**499**	**1,145**	**1,567**	**2,197**	**567**	**1,299**
Total liabilities and equity	**6,392**	**1,048**	**1,613**	**2,237**	**6,487**	**1,266**	**3,119**

Income statement:

(In millions of dirhams)	PRAYON	EMA	IMA	PMP	PPL	SAEDM	Others
Revenue	**7,907**	**1,622**	**2,319**	**2,522**	**6,026**		**3,088**
Production held as inventory	(16)	(21)	85	83	(190)	156	
Purchases consumed	(5,049)	(1,355)	(1,698)	(1,840)	(4,294)	(141)	(1,683)
External expenses	(1,385)	(126)	(469)	(364)	(634)	(6)	(190)
Personnel expenses	(1,106)			(9)	(203)	(13)	(921)
Taxes		(2)	(3)	(1)	(1)		(2)
Exchange gains and losses on operating receivables and payables	118	2	(2)				
Other operating income and expenses	206	(1)	(4)		(134)		4
EBITDA	**675**	**119**	**229**	**391**	**570**	**(4)**	**297**
Amortization, depreciation and operating provisions	(351)	(9)	(55)	(106)	(105)	(0)	(4)
Operating profit (loss) before exceptional items	**324**	**110**	**174**	**285**	**465**	**(4)**	**293**
Other non current operating income and expenses	19	(4)	(14)	45	(16)		(2)
Operating profit (loss)	**343**	**106**	**160**	**330**	**450**	**(4)**	**290**
Cost of net financial debt	(78)	1	7	13	(180)	9	4
Exchange gains and losses on financial receivables and payables	(103)				(62)		
Other financial income and expenses	(25)	(4)	1				
Financial profit (loss)	**(206)**	**(3)**	**7**	**13**	**(242)**	**9**	**4**
Profit (loss) before tax	**137**	**103**	**167**	**343**	**208**	**5**	**294**
Corporate tax	(37)	(23)	(30)	(75)	(68)		(100)
Net profit (loss) for the period	**100**	**80**	**137**	**267**	**140**	**5**	**194**

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.

OCP also supplies phosphoric acid to its joint ventures EMAPHOS, Paradeep Phosphates Limited (PPL) and PRAYON. In these sales, OCP recorded a revenue of MAD 2,496 million in 2019 against MAD 2,478 million in 2018.

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 knowhow 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 was converted into share capital on 3 December 2019. There are no more financial agreements between Prayon and OCP to date.
OCP has also concluded cash pooling agreements with certain joint ventures (Indo Maroc Phosphore -IMA, Pakistan Maroc Phosphore -PMP, etc.)

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 S.A. - 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 TTS provides data center services, digital transformation and outsourcing of 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 noncurrent operating income and expenses.

Noncurrent 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 OTHER CURRENT ASSETS

(In millions of dirhams)	*FY2019*	*FY2018*
Gains and losses on other assets	8	27
Subsidies granted	(525)	(421)
Donations, legacies, liberalities	(615)	(376)
Tax inspection	(87)	(218)
Others	(284)	(262)
Other noncurrent operating income and expenses	**(1,504)**	**(1,250)**

Operating income and expenses recorded a net loss of MAD 254 million between 2018 and 2019. This variation is mainly explained by the increase in subsidies granted of MAD 239 million, including in particular, recognition during the 2019 of the tax on social cohesion for MAD 154 million.

7.3 OTHER CURRENT ASSETS

(In millions of dirhams)	*31 December 2019*			*31 December 2018*		
	Gross	*Depreciation*	*Net*	*Gross*	*Depreciation*	*Net*
Receivables from suppliers, advances and payments on account	7,478	(6)	7,472	4,113	(6)	4,107
Personnel	68	(1)	67	76	(1)	75
Social organizations	316	(32)	284	293	(17)	277
State (excluding corporate income tax)	6,945		6,945	4,610		4,610
Tax receivables	39		39	34		34
Other receivables	330	(13)	317	290	(10)	280
Total other current assets	**15,177**	**(52)**	**15,124**	**9,417**	**(34)**	**9,383**

State (excluding corporate income tax) mainly included recoverable VAT, mining tax and other taxes. The VAT credit amounted to MAD 4,757 million as of 31 December 2019.

The tax receivable maturities as at 31 December 2019 are detailed in the table below:

(In millions of dirhams)	*Total*	*Unmatured*	*Matured*		
			<30 days	*30-120 days*	*> 120 days*
State, VAT	1,916	1,670		116	130
VAT credit	4,757	2,071			2,687
State, other taxes	272	152			120
Total	**6,945**	**3,893**		**116**	**2,937**

7.4 OTHER CURRENT LIABILITIES

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Trade receivable credit balances, advances and payments on account	1,511	763
State-VAT	992	1,229
Social payables	1,227	1,079
Tax liabilities	212	30
Other creditors	2,441	2,156
Total other current liabilities	**6,383**	**5,257**

Other current liabilities increased by MAD 1,126 million between the end of 2018 and the end of 2019. This variation is mainly explained by the effect of the increase in advances and deposits relating to the granting of bonuses, regularizations and commissions granted to Foreign customers.

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

Since January 1st, 2019, the Group has applied IFRS 16 “Leases” according to the“simplified retrospective” method. With the application of this new standard, OCP Group now recognizes all of its rental agreements in the balance sheet, with the exception of contracts within 12 months of the end of the year or for contracts of value unitary new to less than 50,000 dihams.

On the transition date, the Group did not change the value of the assets and liabilities related to leases qualified as finance leases according to IAS 17. The assets have been reclassified under right of use and the finance lease debts are now presented with the rental debts. IFRS 16 will be applied to events that may occur after the date of transition.

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 capitalizes the borrowing costs for MAD 635 million in 2019, versus an amount of MAD 817 billion in 2018.

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 processing hub. Phosphate extracted at Khouribga is transported by slurry pipeline to Jorf Lasfar, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the OCP port at Jorf Lasfar.
- **Central Axis (Youssoufia and Benguerir – Safi):** this axis hosts: the integrated phosphate processing hub. The phosphate extracted at Youssoufia and Benguerir is transported by rail to Safi, where it is processed into phosphoric acid and fertilizer. The finished products are exported from the OCP port at Safi
- **Phosboucraa Axis:** Phosboucraâ extraction site. The extracted phosphate is transported by conveyor to the processing center at Laâyoune, and then exported by sea from Laâyoune.

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 2018 AND 2019.

8.2 PROPERTY, PLANT AND EQUIPMENT VARIATION

(In millions of dirhams)	*31 December 2018*	*Acquisitions*	*Provisions*	*Reductions / Reversals*	*Reclassification*		*Other changes*	*31 December 2019*
Gross amount:								
Land	6,120	(16)			98	(1)		6,201
Buildings	40,615	2,413		(12)	7,438	(2)		50,451
Technical installations, equipment and tools	97,349	1,065		(336)	(967)	(1)		97,110
Transport equipment	971	25		(13)	(90)			893
Furniture, office equipment and various fittings	2,702	109		(28)	544	(2)		3,325
Right of use of other tangible assets *		94			2,135		1,887	4,116
Other property, plant and equipment	10,911	8,098			(9,105)			9,904
Total gross amount	**158,669**	**11,787**		**(389)**	**53**	**(6)**	**1,887**	**172,001**
Depreciations:								
Land	(1,098)		(24)					(1,121)
Buildings	(11,633)		(1,344)	3	61			(12,913)
Technical installations, equipment and tools	(41,792)		(4,418)	353	840			(45,017)
Transport equipment	(738)		(56)	13	54			(727)
Furniture, office equipment and various fittings	(1,184)		(300)	16	17			(1,452)
Right of use of other tangible assets			(468)		(1,037)			(1,505)
Other property, plant and equipment	(631)		(238)	7	63			(799)
Impairment losses								
Buildings	(3)			1				(3)
Total depreciation and impairment losses	**(57,079)**		**(6,848)**	**393**	**(3)**	**1**		**(63,537)**
Net carrying amount	**101,589**	**11,787**	**(6,848)**	**4**	**50**	**(5)**	**1,887**	**108,464**

*The assets under finance lease are now presented in rights of use of lease contracts, following the application of the IFRS 16 standard.

(In millions of dirhams)	*31 December 2017*	*Acquisitions*	*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**	**158,669**
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								
Impairment losses of 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**

The main achievements of 2019:

• **Mining activities :** Start-up of the binding conveyor, which links the Mzinda mine to the Youssoufia processing plant.

• **Processing activities :** Start-up of the sulfuric line D with a capacity of 1.5 million tonnes per year as well as the launch of production of soluble MAP at the Jorf Lasfar platform.

• **Environnement :** Installation of gas washing technology in 8 production lines of Phosphoric Acid and 3 production lines of Sulfuric Acid at the Safi site.

Besides, the Group continues its investment program:

Mining activity :

• Launch of construction works for the Benguerir laundromat, this project aims to:

Ensure a production of 3 MT / year by 2020 and 9 MTSM by 2025 in order be in line with the needs of the Safi site;

Reduce the cost of transport by train to Youssoufia and Safi by transporting the washed floated product instead of raw phosphate;

Enrich all the phosphate layers of the Benguirer mine without operating constraints.

• Continuation of construction work on the Laâyoune laundromat intended for the treatment of the new phosphate layers in Boucraâ to ensure rational and balanced exploitation of the deposit with an annual washing capacity of 3 million tonnes. This new washing and flotation unit will have two washing lines and four flotation lines.

Processing activity:

• Building of three new sulfuric lines s and two power stations in Jorf Lasfar;

• Launch of the construction of a sulfuric line at Safi with an annual capacity of 700,000 tonnes;

• Continuation of construction work for the new phosphoric acid unit in Jorf Lasfar;

• Launch of the construction of three fertilizer production lines with a unit capacity of 1 million tonne / year, identical to the model installed at the JFCs with the possibility of producing TSP.

8.3 INTANGIBLE ASSETS VARIATION

(In millions of dirhams)	*31 December 2018*	*Aquisitions*	*Dotations*	*Reclassification*	*31 December 2019*
Gross amount:					
R&D assets	85	150		(134)	100
Patents, trademarks, rights and similar items	78	2		(3)	76
Licences and software	551	36		55	642
Other intangible assets	233	636		(20)	849
Total gross amount	**947**	**824**		**(102)**	**1,668**
Amortization:					
Amortization of R&D assets	(40)		(15)		(55)
Amortization of patents, trademarks, rights and similar items	(55)		(8)	3	(59)
Amortization of licences and software	(235)		(34)	1	(268)
Amortizaiton of other intangible assets	(107)		(80)	(3)	(190)
Total amortization and impairment losses	**(437)**		**(137)**	**1**	**(572)**
Net carrying amount	**510**	**824**	**(144)**	**(101)**	**1,095**

(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**

8.4 NET DEPRECIATION AND AMORTIZATION

(In millions of dirhams)	*FY2019*	*FY2018*
Net depreciation and amortization	**(6,956)**	**(5,489)**

The increase in net depreciation and amortization during 2019, is driven by the effect of the investments commissioned in 2019.

Note 9 – Provisions and contingent liabilities

9.1 NET PROVISIONS

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

An obligation is qualified as constructive if the following two conditions are met:
• It has been indicated to other parties, by past practice, published policies or a sufficiently specific current statement, that the entity will accept certain responsibilities ;
• The entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

9.2 NET PROVISIONS

(In millions of dirhams)	*FY2019*	*FY2018*
Net provisions	(511)	(332)

Net provisions increased by MAD 179 million in 2019 compared to 2018, mainly related to:
- The depreciation of Heringer's receivables for an amount of MAD 466 million due to its financial difficulties,
- The decrease in allocations for risks and charges of MAD -499 million due to the recognition in 2018 of the provision for litigation on the market for MAD -220 million and the tax audit provision for MAD -110 million.

9.3 PROVISIONS FOR LIABILITIES AND CHARGES

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

(In millions of dirhams)	*31 December 2018*	*Increase*	*Reversals*		*Other changes*	*31 December 2019*
			Used	*Unused*		
Non-current provisions	**5,373**	**116**	**(134)**	**(220)**	**765**	**5,900**
Provisions for employee benefits	4,616	25	(15)		755	5,380
Provisions for environmental risks & for Site rehabilitation	307	13				320
Other non-current provisions	450	79	(119)	(220)	10	200
Current provisions	**328**	**35**	**(10)**			**353**
Other current provisions	328	35	(10)			353
Total provisions	**5,701**	**151**	**(144)**	**(220)**	**765**	**6,253**

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.

9.4 CONTINGENT LIABILITIES

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

9.5 COMMITMENT GIVEN

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Letters of credit	1,774	1,289
Miscellaneous rights and commitments	650	295
Total Commitments given	**2,424**	**1,583**

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 2019*	*31 December 2018*
Current financial debts		
Government credits	64	65
Long-term bank loans, portion due in less than one year	5,347	5,178
Finance leases, portion due in less than one year	484	114
Financial debts resulting from Murabaha		387
Accrued interest not yet due	574	588
Other credits	797	790
Total current financial debts	**7,267**	**7,123**
Non-current financial debts		
Government credits	303	374
Long-term bank loans, portion due in more than one year	20,930	20,105
Bond issue	26,840	26,718
Finance leases, portion due in more than one year	1,645	134
Other credits	2,573	3,533
Total non-current financial debts	**52,292**	**50,864**
Total financial debts	**59,559**	**57,988**

The financial debts increased by MAD 1,571 million at the end of December 2019 compared to the end of 2018, this is mainly explained by the application from January 1, 2019 of the new IFRS 16 standard on leases. In fact, the Group now recognizes a rental debt reflecting the sum of the rents still to be paid, discounted at the marginal rate of debt determined, in return for a right to use the underlying asset (see Note 1.2.A - IFRS 16 «Leases»).

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 2019*
Government credits				
Denominated in EUR	[1,30 % -2,50 %]	2,09 %		64
Long-term bank loans, portion due in less than one year				**5,347**
Denominated in USD	[2,94 % -4,15 %]	3,57 %		1,349
Denominated in MAD	[3,20 % -3,95 %]	3,53 %		3,603
Denominated in EUR	[1,13 % -4,47 %]	2,61 %		394
Finance lease debts				
Denominated in MAD	[3,50 % -4,70 %]	3,54 %		484
Accrued interest not yet due				**574**
Other credits				**797**
Total current financial debts				**7,267**
Government credits				
Denominated in EUR	[1,30 % -2,50 %]	2,36 %	11	303
Long-term bank loans, portion due in more than one year				**20,930**
Denominated in EUR	[1,13 % -4,47 %]	2,09 %	6	2,168
Denominated in MAD	[3,25 % -3,95 %]	3,75 %	4	14,483
Denominated in USD	[2,94 % -4,15 %]	3,56 %	5	4,279
Finance lease debts				
Denominated in MAD	[3,50 % -4,70 %]	3,76 %	3	1,645
Bond issue				**26,840**
Denominated in USD	[4,50 % -6,88 %]	5,49 %	9	26,840
Other credits				**2,573**
Total non-current financial debts				**52,292**
Total financial debts				**59,559**

10.1.2.3 FINANCIAL DEBT MATURITIES

The table below shows the maturities of financial debts as at 31 December 2019:

(in millions of dirhams)	*<1 yr*	*1-5 yrs*	*> 5 yrs*	*Total at 31 December 2019*
Medium and long-term debt	7,267	45,356	6,936	59,559

10.1.2.4 THE GROUP'S MAIN FINANCING AGREEMENTS

The Group's main financing agreements concluded during 2019 are as follows:
• The subsidiary Phosboucraa concluded three financing contracts for a total amount of MAD 4 billion at fixed interest rates. Outstanding as of December 31, 2019 is MAD 4 billion.

• In December 2019, OCP SA concluded a loan for a total amount of MAD 1.25 billion at a fixed interest rate. The line at December 31, 2019 of this line is MAD 600 million.

• In December 2019, OCP SA concluded a loan for a total amount of MAD 3.3 billion at a fixed interest rate. The amount Outstanding at December 31, 2019 of this line is MAD 1.6 billion.

10.1.3 ANALYSIS OF FINANCIAL ASSETS

10.1.3.1 CASH AND CASH EQUIVALENT

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Cash	2,848	3,252
Cash equivalents	10,639	13,889
Total cash and cash equivalents	**13,487**	**17,141**
Bank (credit balances)	4	1
Cash and cash equivalents in the consolidated statement of Cash Flows	**13,483**	**17,140**

10.1.3.2 CASH MANAGEMENT FINANCIAL ASSETS

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Cash financial assets	573	5,654
Total	**573**	**5,654**

Cash management financial assets include mainly term deposits with a maturity more than three months contracted mostly by OCP SA for MAD 500 million as at 31 December 2019 versus MAD 5.6 billion as at 31 December 2018.

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 months*	*3-6 months*	*6-12 months*	*>1 year*	*Total*
Money market funds	6,978				6,978
Term deposit	3,500	733			4,233
Total	**10,478**	**733**			**11,212**

10.1.4 ANALYSIS OF NET DEBT

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Financial credits	26,646	25,726
Bonds	26,840	26,718
Other loans and assimilated debts	3,934	4,579
Bank overdrafts	10	1
Gross financial and bond debt	**57,430**	**57,023**
Cash equivalents	10,639	13,889
Cash	2,848	3,252
Financial assets for cash management	573	5,654
Financial assets	**14,060**	**22,795**
Net financial and bond debt	**43,370**	**34,228**
Financial debts from IFRS 16 leases	2,129	578
Financial debts resulting from Murabaha		387
Other Financial debts	**2,129**	**965**
Total financial debt	**45,499**	**35,193**

10.1.5 COST OF NET DEBT

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

(In millions of dirhams)	*FY2019*	*FY2018*
Interest expenses	(1,988)	(1,865)
Cost of gross financial debt	**(1,988)**	**(1,865)**
Financial income from cash investments	191	122
Other financial income	286	177
Financial income from cash investments	**477**	**299**
Cost of net financial debt	**(1,511)**	**(1,567)**

10.2 OTHER FINANCIAL ASSETS

10.2.1 DEFINITIONS AND ACCOUNTING TREATMENT

Other financial assets

Other financial assets are classified as "Financial assets revalued at fair value by equity" and mainly include non-consolidated equity securities. The Group has chosen to measure its assets at fair value versus non-recyclable equity.

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 2019*			*31 December 2018*		
	Gross	*Revaluation*	*Net*	*Gross*	*Revaluation*	*Net*
Financial assets at fair value by OCI	1,103	(564)	539	1,020	(612)	408
Financial assetsat fair value through profit or loss	27		27	27		27
Receivables from fixed assets disposals	39	(5)	35	34	(5)	30
Other financial receivables	420	(1)	419	407	(1)	407
Total non-current financial assets	**1,589**	**(568)**	**1,020**	**1,489**	**(617)**	**872**

Financial assets revalued at fair value through equity correspond to non-consolidated securities held by OCP.SA and its subsidiaries, notably OCP International.

The revaluation mainly concerns the depreciation of Heringer shares following its financial difficulties.

10.2.3 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses are as follows:

(In millions of dirhams)	FY2019	FY2018
Exchange income from financing operations	50	(412)
Receivable discount relating to VAT credit	(97)	(1,321)
Other	(64)	(4)
Other financial income and expenses	**(110)**	**(1,737)**

The net foreign exchange result on borrowings amounted to MAD 50 million, for 2019, explained by the stagnation of the MAD / $ exchange rates between December 31, 2018 and December 31, 2019.

The exchange loss was limited by the establishment of an accounting hedging relationship as of September 1, 2018 (see Note 4.1.3 Management of exchange risk and credit risks.

As a reminder, the exchange result MAD -412 million in December 2018 due to the increase in the MAD / $ exchange rate from 9.33 on December 2017 to 9.56 on December 2018.

Moreover, the discount on debt relating to the financing agreement for the VAT credit generated in fiscal year 2019 a net financial charge of MAD 97 million.

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.

(In millions of dirhams)	At 31 December 2019					At 31 December 2018				
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*	*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	13 487	13 487	13 487			17 141	17 141	17 141		
Cash financial assets	573	573		573		5 654	5 654		5 654	
Available-for-sale financial assets	539	539			539	408	408			408
Financial assets measured at fair value through P&L	27	27			27	27	27			27
Total financial assets	**14 627**	**14 626**	**13 487**	**573**	**566**	**23 230**	**23 230**	**17 141**	**5 654**	**436**
Current loans and financial debts	7 267	7 267		7 267		7 123	7 123		7 123	
Non-current loans and financial debts	52 292	57 828	29 969	27 859		50 864	53 326	28 783	24 543	
Total financial liabilities	**59 559**	**65 095**	**29 969**	**35 126**		**57 988**	**60 450**	**28 783**	**31 666**	

10.3.2 RISK MANAGEMENT

10.3.2.1 CERTAIN CONTRACTUAL PROVISIONS AND TERMS OF THE DEBT

The Group's financing agreements contain standard market terms including the commitment to have at least an «Investment Grade» rating. This commitment must be respected for 6 institutions: KFW, European Investment Bank, French Development Agency, Islamic Development Bank, African Development Bank.

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 3.6 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 2019*	*31 December 2018*
Unused borrowings	8,705	3,097
Other commitments received for contracts	9,624	6,954
Loans guaranteed by the State	368	440
Total Commitments received	**18,697**	**10,492**

"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 OCP Group is exposed directly or indirectly

The Trading Room is authorized to deal with bank counterparties withe a higher rating 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 OPCVM consists of the following two stages:

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

Diversifying the counterparties

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

Fixing limits by type of instruments held by counterparties

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

- The maximum outstanding amount authorized with an OPCVM 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 an OPCVM is limited according to the credit rating of asset manager and the OPCVM. These limits fix the maximum outstanding amount authorized with a OPCVM as a percentage of net assets and the maximum outstanding amount authorized with the Asset manager.

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. In fact, 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

Corporate Income tax 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 taxable entity.

A Group entity shall offset current tax assets and current tax liabilities if, and only if, the entity:
- Has a legally enforceable right to set off the recognized amounts; and
- Intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities, whatever their maturity, must be offset when they are levied by the same tax authority and concern the same taxable 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)	*FY2019*	*FY2018*
Current tax expense/current tax income	(1,502)	(1,071)
Deferred tax expense/deferred tax income	(223)	(29)
Corporate income tax	**(1,725)**	**(1,100)**

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

(In millions of dirhams)	*FY2019*	*FY2018*
+Net income - Group share	2,843	5,425
+Net income - Minorities' share	173	178
-Share of profit (loss) of equity-accounted companies	(360)	(399)
+/-Tax for the period	1,725	1,100
Consolidated accounting income before tax	**4,381**	**6302**
+/- Permanent differences*	1,208	136
= Consolidated taxable income	**5,589**	**6,438**
Theorical tax rate	22,50 %	21,11 %
=Theoretical tax **	**(1,257)**	**(1,359)**
Tax losses		45
Difference in tax rate in relation to OCP S.A	(574)	77
Prior years' income taxes	113	53
Other items	(7)	85
= Corporate income tax	**(1,725)**	**(1,100)**
including		
current tax	*(1,502)*	*(1,071)*
deferred tax	*(223)*	*(29)*

(*)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 2018*	*Activity changes in income*	*Change in consolidation scope*	*31 December 2019*
Gross deferred tax assets	16	63		79
Unrecognized deferred tax assets				
Net deferred tax assets	**16**	**63**		**79**
Deferred tax liabilities	**993**	**39**		**1 031**

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

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Temporary differences	1 323	903
Eliminations of intercompany transactions	632	500
Intangible assets	(348)	(179)
Tangible assets	20	13
Financial assets at fair value by P&L	49	49
Other asset items	5	(16)
Provisions for employee benefits	1 617	1 617
Other provisions	664	664
Tax loss carryforwards	73	9
Offsetting	(3 956)	(3 545)
Total deferred tax assets	**79**	**16**

(In millions of dirhams)	*31 December 2019*	*31 December 2018*
Temporary differences	3	3
Eliminations of intercompany transactions	(223)	
Intangible assets	109	81
Tangible assets	4,659	4,027
Financial assets at fair value by P&L	49	49
Inventories	399	399
Other assets items	(238)	(332)
Other provisions	93	127
Tax loss carryforwards	(91)	(43)
Other	228	226
Offsetting	(3,956)	(3,545)
Total deferred tax liabilities	**1,031**	**993**

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

12.1 ISSUED CAPITAL

As at 31 December 2019, the share capital amounts to MAD 8,288 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 2019	**82,875,000**
Issues of shares for cash in FY2019	
Outstanding at 31 December 2019	**82,875,000**
Nominal value	**100 Dirhams**

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 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 MAD 414 million in 2019 compared with MAD 328 million in 2018.

12.3 DIVIDENDS

The MAD 3,346 billion in dividends paid in respect of FY2019 correspond to a net dividend per share of MAD 40.73.

	31 December 2019	*31 December 2018*
Amount of dividends (in millions of dirhams)	3,346	2,478
Dividend per share (in dirhams)	40.73	30.17

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 SA, by the weighted average number of ordinary shares outstanding excluding treasury stock.

	FY2019	*FY2018*
Net profit, Group share (in millions of dirhams)*	**2,428**	**5,097**
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)	**29.56**	**62.04**

* 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 -414 million).

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 2019, the Moroccan State received dividends net of taxes amounting to MAD 3.35 billion in respect of the distributable profit for financial year 2018.

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 of 31 December 2019*	*Amount in millions of dirhams as of 31 December 2 018*
AFD outstanding loans consolidation	EUR	2005	279	313
Sidi Chennane mining operations	EUR	2002	82	117
Renewal of the sulphur unit circulation tank and supply circuit	EUR	2007	6	7
Renewal of three absorption towers	EUR	2003		
Acquisition of two hydraulic excavators	EUR	2001	1	2
TOTAL	**EUR**		**368**	**440**

In the same way as all companies resident 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 2018 and 2019:

(In millions of dirhams)	*31 December 2019*		*31 December 2018*	
	State and State-controlled enterprises	*BCP*	*State and State-controlled enterprises*	*BCP*
Interest on investments	84	63	64	55
Utility costs	1,014		1,382	
Other operating expenses	272		281	
Interest on loans	20	101	9	83
Social charges	538		503	
Transport expenses ONCF	962		1,088	
Subscription ONCF / lump-sum contributions	400		400	
Assets and inventories purchases	95		50	

(In millions of dirhams)	*31 December 2019*		*31 December 2018*	
	State and State-controlled enterprises	*BCP*	*State and State-controlled enterprises*	*BCP*
Trade payables	531		581	
Other receivables	708		911	
Cash and cash equivalents	382	2,365	2,716	1,841
Investments	2,000		3,846	3,560
Loans	807	4,635	872	4,111

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37, Bd Abdellatif Benkaddour
20050 Casablanca
Maroc

Deloitte.

Bd Sidi Mohammed Benabdellah
Bâtiment C – Tour Ivoire 3 – 3ème étage
La Marina,
Casablanca - Maroc

Aux Actionnaires de la société
OCP S.A.
2, Rue Al Abtal - Hay Erraha - Immeuble OCP
Casablanca

RESUME DU RAPPORT D'AUDIT SUR LES ETATS FINANCIERS CONSOLIDES
EXERCICE DU 1er JANVIER AU 31 DECEMBRE 2019

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 2019, 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 78.627 dont un bénéfice net consolidé de MMAD 3.016.

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 2019, 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 26 mars 2020

Les Auditeurs Contractuels

ERNST & YOUNG

ERNST & YOUNG
37, Bd Abdellatif Ben Kaddour
CASABLANCA
Tel : (212-2) 2.95.79.00 - Fax : (212-2) 2.39.02.26

Bachir TAZI
Associé

DELOITTE AUDIT

Deloitte Audit
Bd Sidi Mohammed Benabdellah
Bâtiment "C", Ivoire 3, La Marina
Casablanca
Tél. 0522 22 40 25 / 05 22 22 47 34
Fax 05 22 22 40 78 / 47 59

Sakina BENSOUDA KORACHI
Associée

2 4, rue Al Abtal Hay Erraha 20 200 Casablanca Maroc
www.ocpgroup.ma