

# MAGHREB STEEL

## PROSPECTUS SUMMARY Issue of Commercial Paper (Update for fiscal year 2013)

ISSUE PROGRAM CEILING: MAD 1 500 000 000  
FACE VALUE: MAD 100 000

Financial Advisor

**BMCE CAPITAL**   
CONSEIL

Book Runner

**BMCE BANK** 

Subscription reserved to existing holders  
of commercial paper and to qualified investors

Approval of Conseil Déontologique des Valeurs Mobilières (Financial Authority)

In compliance with the provisions of 18 of Dahir n° 1-95- of 24 Chaabane 1415 (26 January 1995) enacting law n° 35-94 pursuant to certain negotiable debt securities, the original version of the present prospectus has been approved by the CDVM on November 10<sup>th</sup>, 2014 under reference n° VI/EM/036/2014.

The approval of the CDVM in no way implies approval of the opportunity of the operation or authentication of the information contained herein. It was accorded after examination of the relevance and coherence of the information given in view of the operation proposed to the investors.

## Warning

The *Conseil déontologique des valeurs mobilières* (CDVM) approved on November 10<sup>th</sup>, 2014 a prospectus relating to the issue of commercial papers by Maghreb Steel.

The prospectus approved by CDVM is available at any time at the Maghreb Steel headquarters and of its financial advisor. It is also consultable within a maximum timeframe of 48 hours at the order collector institutions.

It is also consultable at the CDVM website [www.cdvm.gov.ma](http://www.cdvm.gov.ma)

## Partie I. INTRODUCTION TO THE OPERATION

## I. Objectives

Initially, this program of commercial paper was established in order to:

- Substitute a part of the cash facility and reduce refinancing in currency of the import of raw materials;
- Confront rising working capital needs of the company ;
- Diversify the sources of financing for better negotiations with the company's financial partners thereby optimizing cash flow and reducing financial costs.

Following the financial problems faced by Maghreb Steel, new commercial paper issues are used to refund the outstanding ones that reached their maturity.

## II. Characteristics of Commercial papers to be issued

Tableau 1 Information on securities to be issued

Nature of securities	Marketable debt securities dematerialized by registration in the central depository (Maroclear) and placed on accounts at authorized affiliates.
Legal form of securities	Commercial papers written out to bearer
Issue ceiling	MAD 1 500 000 000
Par value	MAD 100 000
Maturity	From 10 days to 12 months
Date of entitlement	At date of payment
Interest rate	Determined for each issue in accordance with market conditions
Interest	Post-account
Payment of coupon	In fine, i.e. at the expiry date of each bill
Repayment of capital	In fine, i.e. at the expiry date of each bill
Assimilation clause	The Commercial papers issued in no way will be assimilated into the securities of a previous issue
Negotiability of securities	No restriction is imposed by the terms of issue on the negotiability of the Commercial papers issued. The securities are tradable over the counter.
Guarantee	This issue is not attached to any guarantee

### III. Issued commercial papers market

Tableau 2 Issues not yet expired as of September

Global Amount	Duration	Entitlement	Due Date	Interest rate
857 000 000	3 mois	03/10/2014	05/01/2015	4,3%
36 000 000	1 mois	03/10/2014	03/10/2014	4,3%

Source: BMCE Bank

The outstanding commercial papers issued by Maghreb Steel amount to MADm 893 as of Oct. 21<sup>st</sup>, 2014.

Tableau 3 History of matured issues over the period [2013 – September 2014]

Global amount	Duration	Due Date (dd/mm/yyyy)	Interest rate
50 000 000	40 days	27/02/2013	6,00%
300 000 000	13 weeks	19/03/2013	6,50%
185 000 000	13 weeks	03/04/2013	4,50%
400 000 000	77 days	04/06/2013	6,50%
150 000 000	68 days	04/06/2013	6,50%
15 000 000	65 days	04/06/2013	6,50%
20 000 000	64 days	04/06/2013	6,50%
50 000 000	63 days	04/06/2013	6,50%
100 000 000	62 days	04/06/2013	6,50%
90 000 000	55 days	04/06/2013	6,50%
50 000 000	13 days	04/06/2013	6,50%
140 000 000	1 month	04/07/2013	6,50%
90 000 000	32 days	05/08/2013	6,50%
50 000 000	1 month	05/08/2013	6,50%
140 000 000	25 days	30/08/2013	6,50%
755 000 000	13 weeks	04/09/2013	6,50%
140 000 000	62 days	31/10/2013	6,50%
755 000 000	13 weeks	04/12/2013	6,50%
140 000 000	34 days	04/12/2013	6,50%
212 000 000	30 days	03/01/2014	6,50%
719 000 000	13 weeks	04/03/2014	6,50%
140 000 000	60 days	04/03/2014	6,50%
36 000 000	29 days	04/03/2014	6,50%
236 000 000	1 month	04/04/2014	6,50%
236 000 000	1 month	05/06/2014	6,50%
659 000 000	4 months	04/07/2014	6,50%
236 000 000	1 month	04/07/2014	6,50%
36 000 000	1 month	04/08/2014	6,50%
36 000 000	1 month	04/09/2014	6,50%
857 000 000	4 months	05/01/2014	4,30%
36 000 000	1 month	03/11/2014	4,30%

Source : BMCE Bank

Due to its financial difficulties, the company has systematically renewed the different issues at their maturity date. Moreover, the renewal of the issues is made with the same commercial paper holders. However, 2 MADm worth of commercial papers have not been renewed nor paid back by the company.

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#### IV. Body entrusted with investment – financial intermediaries

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Financial Advisor	BMCE Capital Conseil 63 boulevard Moulay Youssef, Casablanca
Book Runner	BMCE Bank 140 avenue Hassan II, Casablanca
Entity holding securities accounts	BMCE Bank 140 Avenue Hassan II, Casablanca

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## Partie II. INTRODUCTION TO MAGHREB STEEL

## I. General Information

Tableau 4 General Information

Corporate Name	▪ Maghreb Steel
Headquarters	▪ Route nationale 9 Km 10 - (AEROCLUB TIT MELLIL) Boulevard Ahl Loughlam BP: 3553 – 20600 – Casablanca.
Telephone number	▪ + 212 5 22 76 25 00
Fax number	▪ + 212 5 22 76 25 01
E-mail	▪ maghrebsteel@maghrebsteel.ma
Website	▪ www.maghrebsteel.ma
Legal form	▪ Business corporation operating under law n° 17-95 dated 30 August 1996 relating to business corporations as amended and completed by law n°20-05 of 23 May 2008
Date set up	▪ 1975
Life span	▪ The life span is set at 99 years except in the event of early wind up or extension as stipulated by the by-laws and/or by the law
Purpose <i>Article 3 of by-laws</i>	<ul style="list-style-type: none"> <li>▪ The corporate purpose is as follows: <ul style="list-style-type: none"> <li>▶ The purchase, sale, representation, import, export and dissemination of all forms and by all means of all the ferrous metal or nonferrous products and all other products manufactured or not;</li> <li>▶ The creation and operation of an industry for the manufacture of all ferrous or nonferrous metal tubes of all kinds either black or galvanized;</li> <li>▶ Exploitation of all patents;</li> <li>▶ The creation, acquisition, lease, rental or running of all steel industry activities;</li> <li>▶ The acquisition of any urban, rural, built up or non-built up property and the edification of any structure or the beneficial use of the said property;</li> <li>▶ More generally all commercial, industrial real estate or moveable property and financial trades directly or indirectly attached to the aforementioned purposes likely to favor any direct or indirect stakes in any form whatsoever in companies having similar or closely related purposes.</li> </ul> </li> </ul>
Fiscal Year	▪ The fiscal year begins on January 1 <sup>st</sup> and ends on December 31 <sup>st</sup>

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Registered capital (on December 31 <sup>st</sup> , 2013)	<ul style="list-style-type: none"><li>▪ MAD 2 400 000 000 at par value of MAD 100</li></ul>
Place for consultation of legal documents	<ul style="list-style-type: none"><li>▪ The corporate, accounting and legal documents the communication of which is specified by law can be consulted at Maghreb Steel headquarters</li></ul>
Registration Number in Trade Register	<ul style="list-style-type: none"><li>▪ Casablanca Trade Register 33 929.</li></ul>

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## II. Information on Maghreb Steel equity

The table hereafter depicts the situation of the shareholders of Maghreb Steel over the past three fiscal years:

Tableau 5 Maghreb Steel shareholding over the past three years

Shareholders	31/12/2011		31/12/2012		31/12/2013	
	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights
Abdelouahab Sekkat	4 045 500	22,48%	4 045 500	16,86%	4 045 500	16,86%
Ste Bled Solb	3 980 338	22,11%	9 980 338	41,58%	9 980 338	41,58%
El Fadel Sekkat	1 856 250	10,31%	1 919 531	8,00%	1 919 331	8,00%
Fouad Sekkat	1 856 250	10,31%	1 919 531	8,00%	1 919 331	8,00%
Rachid Sekkat	1 856 250	10,31%	1 919 531	8,00%	1 919 531	8,00%
Driss Sekkat	1 375 424	7,64%	1 375 424	5,73%	1 375 424	5,73%
Leila Sekkat	925 875	5,14%	989 157	4,12%	989 157	4,12%
Moussa Samir	900 000	5,00%	900 000	3,75%	900 000	3,75%
Abdellah Samir	540 000	3,00%	540 000	2,25%	540 000	2,25%
Batoul Mekouar	253 125	1,41%	-	-	-	-
Fondation Sekkat	225 989	1,26%	225 989	0,94%	225 989	0,94%
Ste Les Trois amis	150 000	0,83%	150 000	0,63%	150 000	0,63%
Association Al Akhawayne	28 249	0,16%	28 249	0,12%	28 249	0,12%
Yassine Benmlih	2 250	0,01%	2 250	0,01%	2 250	0,01%
Mohsine Sekkat	2 250	0,01%	2 250	0,01%	2 250	0,01%
Youssef Sekkat	2 250	0,01%	2 250	0,01%	2 250	0,01%
Hamza Sekkat	-	-	-	-	200	0,00%
Fayçal Sekkat	-	-	-	-	200	0,00%
<b>Total</b>	<b>18 000 000</b>	<b>100%</b>	<b>24 000 000</b>	<b>100%</b>	<b>24 000 000</b>	<b>100%</b>

Source: Maghreb Steel

The shareholders of Maghreb Steel decided on December 24<sup>th</sup>, 2012 during an exceptional General meeting a capital increase of MAD 600 million that was entirely subscribed to by Bled Solb company. However, MADm 300 have not being paid yet. It is expected to be paid before end of 2014.

In 2013, Mr Hamza and Mr Faiçal Sekkat, administrators of Maghreb Steel, were awarded every one 200 shares, by transferring the securities held by Mr Fouad and Mr Rashid Sekkat.

### III. Administration and management bodies

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#### III.1. Legal provisions

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According to article 19 of the by-laws, Maghreb Steel is administered by a Board of Directors consisting of three to twelve members from among the shareholders and appointed by either the Ordinary General Meeting or the Extraordinary General Meeting in the event of merger or division for a term of six (6) years.

In addition « a wage earner of the company can be appointed as a Director only if his/her work contract corresponds to an effective position » and « the number of directors linked to the company by a work contract cannot exceed one third of the members of the Board of Directors ».

## III.1.1. Board of directors

Tableau 6 Make-up of the Maghreb Steel Board of Directors on June 30<sup>th</sup>, 2014

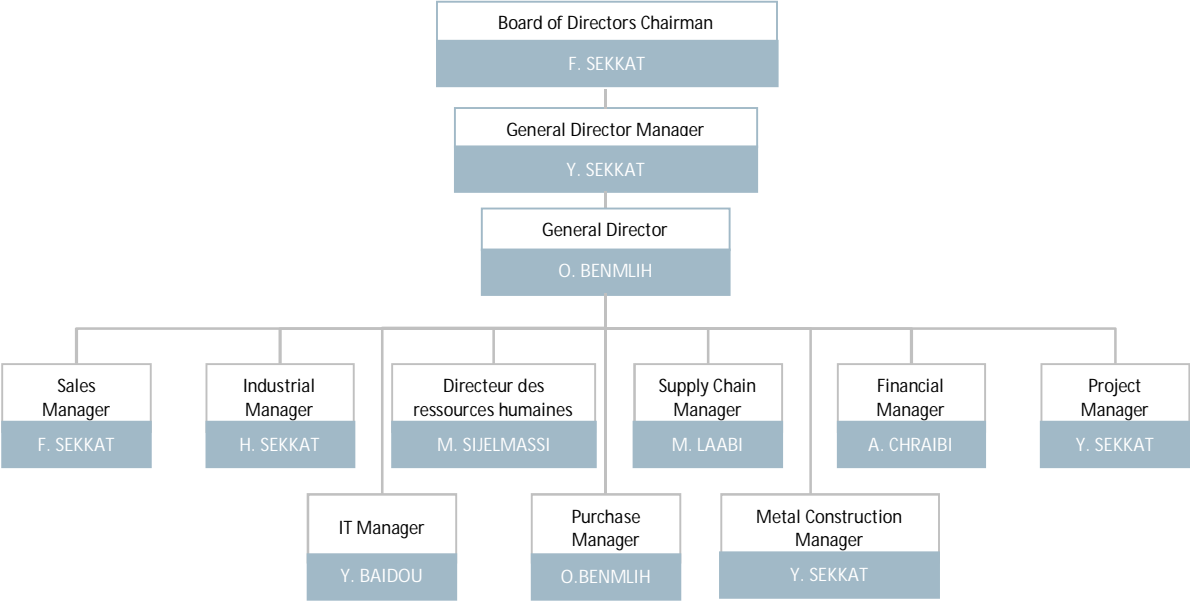
Name	Position	Address	Beginning of term	Expiry of term	Family relationship
M. El Fadel SEKKAT	Chairman Board of Directors	Longchamps, Rue 7 n°1, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017 <sup>1</sup>	-
M. Youssef SEKKAT	Administrator General Manager	18, Rue Ibnou Katir, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Cousin of Chairman
M. Abdelouahab SEKKAT	Administrator	Piste Ouled Haddou, n°13 les Crêtes Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Uncle of Chairman
M. Abdellah SAMIR	Administrator	Avenue Masset, Villa Nadia, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	No relation
M. Driss SEKKAT	Administrator	Ain Diab Nord – Rue D, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Uncle of Chairman
M. Fouad SEKKAT	Administrator	38, Avenue de l'Hermitage, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Brother of Chairman
M. Rachid SEKKAT	Administrator	38, Avenue de l'Hermitage, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Brother of Chairman
M. Yassine BENMLIH	Administrator	Longchamps, Hay el Hana, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Nephew of Chairman
M. Mohsine SEKKAT	Administrator	Lot Lakraker, Route de Mekka, Californie, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Cousin of Chairman
M. Fayçal SEKKAT	Administrator	141 Bd Atlantide Polo, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Nephew of Chairman
M. Hamza SEKKAT	Administrator	45 Bd Ghandi , Résidence Yasmine Maarif, Casablanca	June 21 <sup>st</sup> , 2012	31/12/2017	Son of Chairman

Source: Maghreb Steel

<sup>1</sup> AGM to approve 2017 accounts.

III.1.2. Management

Organization of Maghreb Steel as of June 30<sup>th</sup>, 2014



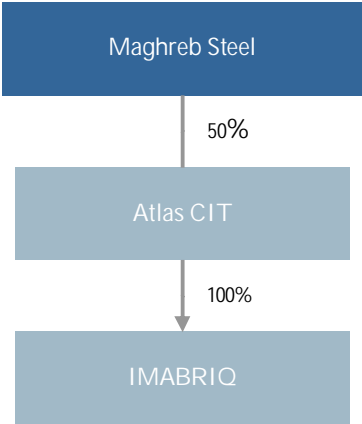
Source: Maghreb Steel

## Partie III.    ACTIVITY, MARKET AND COMPETITION

I. Activity of Maghreb Steel

I.1. Subsidiaries of Maghreb Steel on June 30<sup>th</sup>, 2014

Figure 3. Subsidiaries of Maghreb Steel as of June 30<sup>th</sup>, 2014

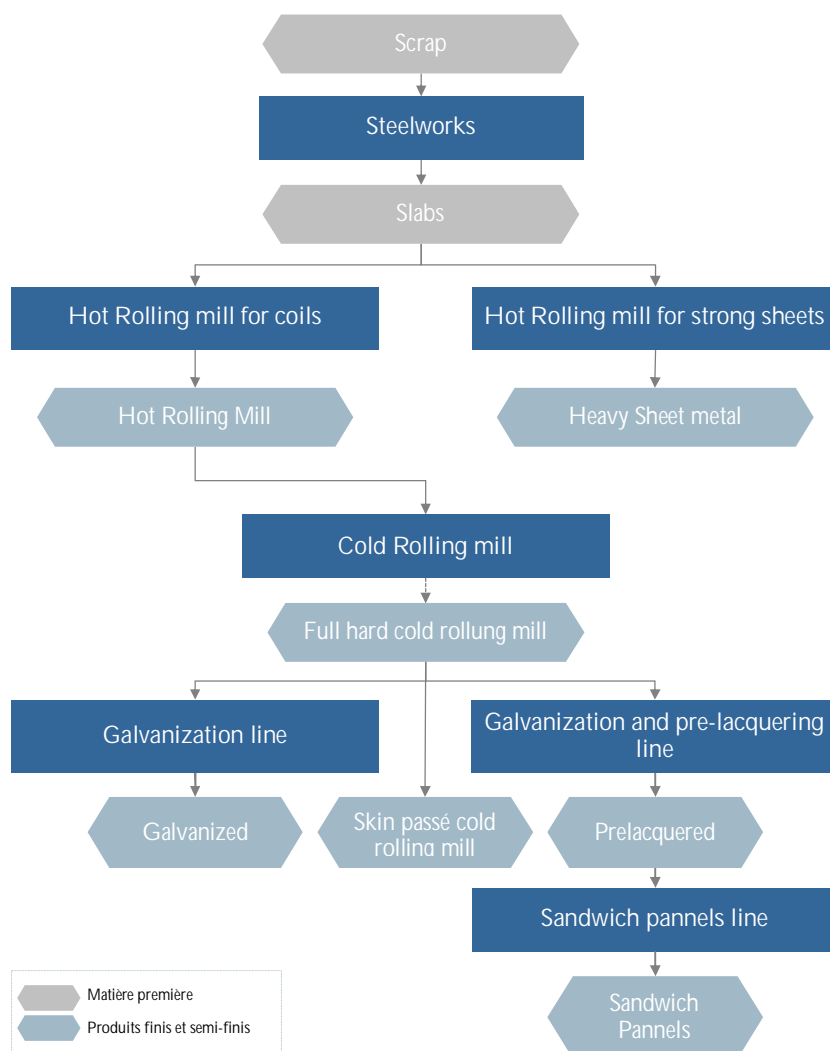


Source: Maghreb Steel

## I.2. Trades of Maghreb Steel

### I.2.1. Production of sheet metals and sandwich panels

#### Sheet metal and sandwich panels production process



Source: Maghreb Steel

Morocco's leading sheet metal producer, Maghreb Steel accounted at the end of 2011 for approximately 69%<sup>2</sup> for galvanized and pre-lacquered sheet metal. Competition on this market comes from « Steel Centers », active in cutting and business activities. That is why they are for the most part among the company's customers. Moreover, the year of 2012 was marked by an increase of imports from Europe and Turkey at very low prices.

Upon completion of fiscal years 2010 and 2011, sales results for cold rolled items fell from 15.6% to 11.9% in global turnover to the benefit of hot rolled items which saw its share rise from 11.1% in 2010 to 26.7% in 2011. The output of sandwich panels made it possible to reach a turnover of KMAD 135 011 in 2011, i.e. up by 51% compared to the previous year.

In 2011, global sales of hot rolled items amounted to KMAD 693 680, i.e. growth of 223%. This trend is explainable by the rise in sales for export rising from KMAD 50 815 in 2010 to 236 578 in 2011, as well as the jump in local sales amounting to MAD 457 102 in 2011 vs. KMAD 163 663 in 2010.

<sup>2</sup> Source: Maghreb Steel

The year 2012 was marked by a slackening of the business of Maghreb Steel given the economic crises undergone by the European Union and the decrease of the international rates. Despite the decrease in the production of the company by 22.4% going from 632 223 tons in 2011 to 490 352 tons in 2012, the sold tonnage has increased by 9.3%.

In fact, the sales of strong sheets revealed a significant progress going from 156 tons in 2011 to 22 918 tons in 2012.

The year 2013 was a continuation of the previous year as it was characterized by a decline in the activity of Maghreb Steel. Global sales of the company declined by 10.8% decreasing from 350 626 tons in 2012 to 312 702 tons in 2013 mainly due to the significant drop in tonnage at exports (-32.9%). Therefore, the total turnover of Maghreb Steel decreased by 9.8%, diminishing from 2 665 to 2 403 KDHS.

#### I.2.2. Trading

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Maghreb Steel continues to develop its trading activity through the basic resale of zinc and zinc by-products.

Indeed, the company plays the role of a central purchasing unit for local resellers able to take advantage of reasonable prices from international intermediaries thanks to the large volume of orders.

The so-called intermediaries obtain zinc supplies primarily from Spain and Algeria.

#### I.2.3. Engineering services

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Maghreb Steel has an engineering division employing 150 persons. This division enables the company to look after the construction and technical studies part. In the framework of the rolling mill complex project it handled the technical studies and the construction of metal frameworks.

This division also heavily partook in the industrial construction work on the hot rolling mill complex, particularly with regard to the boiler works, metal parts assembly and iron works, etc.

To be noted is that in 1994 Maghreb Steel installed two galvanization and pre-lacquering line with a capacity of 145 000 tons, on behalf of a third party in Libya entailing a global amount of USD 45 million.

This service also participated to a considerable degree in the upstream irrigation project.

#### I.2.4. Other

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The company also offers other services, in particular:

- Cutting which consists of cutting the metal sheet coil via flatteners (machines that cut the coil widthwise), or metal strips via roll cutters (machines that cut the coil lengthwise, basically for tube making);
- Production of zinc oxide that the company makes from zinc waste generated by galvanization. This related activity enables Maghreb Steel to optimize management of its raw materials.
  - ▶ In 2012, Maghreb Steel sold zinc, zinc oxides and by-products only in the local market. These sales have dropped by 57.9% in comparison to the sales of 2011 settling at KMAD 603.
  - ▶ In 2013, the company has not sold, zinc oxide and zinc derivatives.

## I.3. Evolution of activity

Tableau 7 Evolution of production

In tons	2011	2012	Var. %	2013	Var. %
Hot Rolled	415 087	306 033	-26,3%	320 593	4,8%
Cold Rolled	48 226	33 866	-29,8%	25 889	-23,6%
Galvanized	99 130	78 110	-21,2%	71 117	-9,0%
Prelacquered	69 783	72 343	3,7%	70 682	-2,3%
Heavy plates	-	22 000	n.a.	35 595	61,8%
Sandwich panels (in sqm)	900 726	658 037	-26,9%	821 738	24,9%
Gross production (Out of sandwich Panels)	632 223	512 352	-19,0%	523 876	2,2%

Source : Maghreb Steel

Tableau 8 Evolution of tonnage sold by product locally

In tons	2011	2012	Var. %	2013	Var. %
Hot Rolled	71 136	105 289	48,0%	110 202	4,7%
Cold Rolled	29 974	19 017	-36,6%	14 368	-24,4%
Galvanized	52 930	43 673	-17,5%	39 860	-8,7%
Prelacquered	20 121	16 517	-17,9%	19 359	17,2%
Sandwich panels (in sqm)	874 781	654 310	-25,2%	689 863	5,4%
Heavy plates	156	9 750	n.s.	22 577	131,6%
Zinc & derivatives	190	30	-84,2%	-	n.a.
Others	3 703	3 043	-17,8%	3 395	11,6%
Gross sales (Out of sandwich Panels)	178 210	197 319	10,7%	209 761	6,3%

Source : Maghreb Steel

Tableau 9 Evolution of tonnage sold by product at export

In tons	2011	2012	Var. %	2013	Var. %
Hot Rolled	41 623	41 214	-1,0%	12 197	-70,4%
Cold Rolled	11 234	14 762	31,4%	9 848	-33,3%
Galvanized	39 897	27 456	-31,2%	29 028	5,7%
Prelacquered	39 738	54 659	37,5%	39 469	-27,8%
Sandwich panels (in sqm)	4 764	468	-90,2%	122 797	n.s.
Heavy plates	-	13 168	-	12 399	-5,8%
Zinc & derivatives	303	-	-	-	n.a.
Others	9 713	2 048	-78,9%	-	n.a.
Gross sales (Out of sandwich Panels)	142 508	153 307	7,6%	102 941	-32,9%

Source : Maghreb Steel

Tableau 10 Evolution of total tonnage sold by product

In tons	2011	2012	Var. %	2013	Var. %
Hot Rolled	112 759	146 502	29,9%	122 399	-16,5%
Cold Rolled	41 208	33 780	-18,0%	24 216	-28,3%
Galvanized	92 827	71 129	-23,4%	68 888	-3,2%
Prelacquered	59 859	71 176	18,9%	58 828	-17,3%
Sandwich panels (en m <sup>2</sup> )	879 545	654 814	-25,6%	812 660	24,1%
Heavy plates	156	22 917	n.s	34 976	52,6%
Zinc & derivatives	493	30	-93,9%	-	n.a.
Others	13 416	5 091	-62,1%	3 395	-33,3%
Gross sales (Out of sandwich Panels)	320 718	350 625	9,3%	312 702	-10,8%

Source : Maghreb Steel

#### I.4. Evolution of turnover

Note: The figures below relate to the corporate turnover of Maghreb Steel

Tableau 11 Evolution of local turnover of Maghreb Steel by product

In KMAD	2011	2012	Var. %	2013	Var. %
Hot Rolled	457 102	662 488	44,9%	669 091	1,0%
Cold Rolled	229 442	141 616	-38,3%	104 856	-26,0%
Galvanized	473 089	366 754	-22,5%	333 532	-9,1%
Prelacquered	210 791	163 887	-22,3%	194 619	18,8%
Sandwich panels (en m <sup>2</sup> )	134 140	99 640	-25,7%	105 357	5,7%
Heavy plates	1 048	62 309	n.s	144 260	131,5%
Zinc & derivatives	1 434	603	-57,9%	-	n.a.
Others	19 732	28 276	43,3%	53 244	88,3%
Gross sales	1 526 778	1 525 573	-0,1%	1 604 959	5,2%

Source : Maghreb Steel

Tableau 12 Evolution of turnover at export of Maghreb Steel

In KMAD	2011	2012	Var. %	2013	Var. %
Hot Rolled	236 578	239 115	1,1%	78 930	-67,0%
Cold Rolled	80 432	102 406	27,3%	65 485	-36,1%
Galvanized	301 145	206 429	-31,5%	209 700	1,6%
Prelacquered	403 261	494 490	22,6%	351 528	-28,9%
Sandwich panels (en m <sup>2</sup> )	871	79	-90,9%	15 814	n.s.
Heavy plates	-	79 331	-	70 493	-11,1%
Zinc & derivatives	2 526	-	n.a.	-	-
Others	43 826	18 024	-58,9%	6 456	-64,2%
Gross sales	1 068 639	1 139 874	6,7%	798 407	-30,0%

Source : Maghreb Steel

Tableau 13 Evolution of total turnover of Maghreb Steel

In KMAD	2011	2012	Var. %	2013	Var. %
Hot Rolled	693 680	901 603	30,0%	748 021	-17,0%
Cold Rolled	309 874	244 022	-21,3%	170 341	-30,2%
Galvanized	774 234	573 183	-26,0%	543 232	-5,2%
Prelacquered	614 052	658 377	7,2%	546 147	-17,0%
Sandwich panels (en m <sup>2</sup> )	135 011	99 719	-26,1%	120 796	21,1%
Heavy plates	1 048	141 640	n.s.	214 753	51,6%
Zinc & derivatives	3 960	603	-84,8%	-	n.a.
Others	63 558	46 300	-27,2%	60 076	29,6%
Gross sales	2 595 417	2 665 446	2,7%	2 403 366	-9,8%

Source : Maghreb Steel

## Partie IV. FINANCIAL SITUATION OF MAGHREB STEEL

## I. Consolidated management balance statement

Tableau 14 Consolidation management balance statement 2011-2013

KMAD	2011	2012	Var. %	2013	Var. %
Sale of goods (as is)	11 696	23 188	98,3%	8 199	-64,6%
Goods purchased and resold	10 957	22 566	106,0%	8 038	-64,4%
Gross margins for as is sales	739	622	-15,8%	162	-74,0%
Production	3 575 028	2 607 141	-27,1%	2 300 672	-11,8%
Sales of goods and services produced	2 597 738	2 666 639	2,7%	2 410 577	-9,6%
Changes ins inventories	717 106	-412 766	n.a.	-116 081	71,9%
Fixed assets produced by the company for itself	260 184	353 268	35,8%	6 177	-98,3%
Consumption	3 258 108	2 462 072	-24,4%	2 213 852	-10,1%
Material and supplies purchased and consumed	3 140 743	2 333 243	-25,7%	2 100 800	-10,0%
Other external expenses	117 365	128 829	9,8%	113 053	-12,2%
Added Value	317 659	145 691	-54,1%	86 982	-40,3%
Operating subsidies	626	730	16,6%	506	-30,7%
Taxes and duty	2 206	8 759	297,1%	1 520	-82,6%
Payroll expenses	231 885	213 813	-7,8%	199 477	-6,7%
Earnings Before Income Tax Depreciation and amortization (EBITDA)	84 194	-76 152	n.a.	-113 509	-49,1%
Other operating incomes	-	-	n.a.	-	n.a.
Other operating expenses	-	1 800	n.a.	-	n.a.
Operating write downs transfer of expenses	36 637	16 433	-55,1%	18 198	10,7%
Allocation to operation	188 407	242 650	28,8%	343 188	41,4%
Operating income (- or +)	-67 575	-304 168	-350,1%	-438 499	-44,2%
Financial Income	-87 818	-177 562	-102,2%	-223 986	-26,1%
Current income	-155 393	-481 730	-210,0%	-662 486	-37,5%
Exceptional income (- or +)	-1 197	74 151	n.a.	53 263	-28,2%
Income Tax	-42 547	16 311	n.a.	-48 311	n.a.
Net Income (Integrated companies)	-114 043	-423 890	-271,7%	-560 912	-32,3%
Quota in income of enterprises included by the equity method	-	-	n.a.	-	n.a.
Allocations to depreciation of goodwill	-16	-16	0,0%	-16	-1,4%
Consolidated net income	-114 059	-423 906	-271,7%	-560 928	-32,3%
Minority income	-	-	n.a.	-	n.a.
Net income part of the group	-114 059	-423 906	-271,7%	-560 928	-32,3%

Source: Maghreb Steel

## II. Consolidated balance sheet

Tableau 15 Assets of Maghreb Steel consolidated balance sheet

Consolidated assets in KMAD	2011	2012	Var.%	2013	Var.%
Written off fixed assets	-	-	n.a.	-	n.a.
Intangible assets	2 192	1 407	-35,80%	699	-50,30%
Tangible fixed assets	5 153 322	5 522 493	7,20%	5 246 942	-5,00%
Land	7 128	7 158	0,40%	7 158	0,00%
Buildings	196 939	459 475	133,30%	534 174	16,30%
Technical, material and tooling facilities	1 939 027	3 795 761	95,80%	4 636 217	22,10%
Transport equipment	4 278	6 973	63,00%	5 456	-21,80%
Furniture, office supplies and miscellaneous installations	8 275	7 518	-9,20%	5 378	-28,50%
Other tangible fixed assets	54	-	0,00%	-	n.a.
Current tangible fixed assets	2 997 619	1 245 608	-58,40%	58 559	-95,30%
Financial Assets	26 592	40 338	51,70%	39 877	-1,10%
Goodwill - Assets	3 049	2 405	-21,10%	2 077	-13,60%
Total fixed assets	5 185 154	5 566 643	7,40%	5 289 595	-5,00%
Inventories	1 920 505	1 122 675	-41,50%	1 028 647	-8,40%
Receivables	1 194 288	1 458 834	22,20%	1 531 058	5,00%
Suppliers, debtors, advances and installments	1 348	1 781	32,10%	1 613	-9,40%
Customers and related accounts	568 182	847 940	49,20%	880 661	3,90%
Payroll	79,3915	94	18,60%	252	168,00%
State	497 690	460 854	-7,40%	441 351	-4,20%
Differed tax statement	123 789	122 223	-1,30%	183 430	50,10%
Shareholders' accounts	-	-	n.a.	-	n.a.
Other debtors	2 088	22 383	971,90%	17 648	-21,16%
Asset equalization account	1 112	3 558	220,00%	6 102	71,52%
Investment securities	-	-	n.a.	-	n.a.
Conversion differentials - Assets (current items)	14 612	905	-93,80%	977	8,00%
Total current assets	3 129 405	2 582 413	-17,50%	2 560 682	-0,80%
Treasury - Assets	107 595	17 141	-84,10%	3 880	-77,40%
<b>Total</b>	<b>8 422 154</b>	<b>8 166 198</b>	<b>-3,00%</b>	<b>7 854 158</b>	<b>-3,80%</b>

Source: Maghreb Steel

Tableau 16 Consolidated liabilities

Consolidated liabilities in KMAD	2011	2012	Var. %	2013	Var. %
Shareholders' equity and similar	1 702 038	1 675 059	-1,6%	1 107 653	-33,9%
<i>Including shareholders' equity</i>	1 699 750	1 574 343	-7,4%	1 012 165	-35,7%
<i>Including minority interests</i>	-	-	n.a.	-	n.a.
<i>Including assimilated shareholders' equity</i>	2 288	100 716	n.s.	95 487	-5,2%
Financing debts	2 805 890	2 664 011	-5,1%	3 297 175	23,8%
Sustainable provisions for risks and expenses	3 049	2 405	-21,1%	2 077	-13,6%
Conversion differential liabilities	754	1 098	45,7%	2 255	105,4%
Permanent capital	4 511 731	4 342 573	-3,7%	4 409 159	1,5%
Current liabilities	1 116 649	1 026 439	-8,1%	1 119 018	9,0%
Suppliers and related accounts	641 166	530 963	-17,2%	574 890	8,3%
Creditor clients, advances and installments	12 122	27 442	126,4%	67 152	144,7%
Payroll	639	1 247	95,1%	8 584	n.s.
Social organisms	9 996	7 507	-24,9%	7 441	-0,9%
State	109 571	128 960	17,7%	157 127	21,8%
Differed tax statement	-	-	n.a.	-	n.a.
Shareholders' accounts	615	2 415	292,7%	96 884	n.s.
Other debtors	11 784	41 176	249,4%	98	-99,8%
Equalization account	330 757	286 729	-13,3%	206 842	-27,9%
Other provisions for risks and expenses	14 682	3 142	-78,6%	3 113	-0,9%
Treasury - Liabilities	1 131 557	1 029 723	-9,0%	1 122 209	9,0%
Treasury - Liabilities	2 778 867	2 793 901	0,5%	2 322 789	-16,9%
Total	8 422 154	8 166 198	-3,0%	7 854 158	-3,8%

Source: Maghreb Steel

## Partie V. RISK FACTORS

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## I. Risk factors

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### I.1. Supply risk

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Maghreb Steel buys some of its inputs from foreign suppliers. Thus, it has to grapple with the risk of unavailability of raw materials. In periods of high demand, raw materials become more scarce and costly and supplies more difficult.

To alleviate this risk the company is attempting to diversity its sources of supply in the world and enters into partnerships with international traders.

### I.2. Risk connected to fluctuating international prices

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The corporate activity remains contingent on the situation of steel prices on the international market and resultantly is subject to the effects of any fluctuation in the hot rolled product prices.

Like any activity dependent on international prices Maghreb Steel builds up inventories in the event a drop in prices to mitigate any substantial change in purchases during periods of skyrocketing prices.

### I.3. Exchange risk

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Like importing companies Maghreb Steel has to grapple with fluctuations of the dirham against the USD.

In 2011 Maghreb Steel reported 41.2% of its turnover for exports. Export sales are listed in Euros for European countries and in USD for the United States, North African countries and the Middle East. This situation makes it possible to cover on average 50% of its imports. For the rest the company regularly turns to time coverage products.

Through its export activities the company manages to smoothen out the exchange risk on imports paid in currency. Indeed, certain imports (in USD) are swapped in Euros to cover the exchange risk corresponding to exports in Euros. The company resorts to time purchases for imports sold locally.

### I.4. Risk in connection with competition

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Maghreb Steel enjoys a strong position on its markets. However, it remains exposed to competition from importers expected to react strongly further to the lifting of customs barriers.

Entering into force on 1<sup>st</sup> March 2003 via the free trade agreement between Morocco and the European Union consisting of a reduction of 10% per year of customs duty on finished products imported from the EU, and more particularly for flat iron or steel products, should lead to a jump in imports.

This intensification can lead to a voluntary drop in sales prices eventually affecting future profit margins.

An antidumping petition on imports of hot-rolled steel from the European Union and Turkey has been filed by the Company to the Ministry of Industry, Trade and New Technologies. Following this request, the Ministry opened an investigation in January 2013.

This survey has confirmed the presence of a representative dumping injury to the domestic industry. The government has therefore put an end in October 2013 and introduced an additional customs duty on steel products for a period of 6 months before getting to a final conclusion. In April 2014, the Ministry published a public notice in which it confirms the anti-dumping measures. Therefore, in August 2014, additional import duties on Arcelor Mittal were put in place (11.06%). The rate of other European exporters (Tata Steel, Steel link and others) is meanwhile set to 22.11%. Regarding Turkish exporters, the rate was set at 11.06%. The so called rates are concern hot rolled steel and will be implemented over a period of 5 years.

Moreover, the Ministry published in October 2014 another public notice of a safeguard investigation on imports of cold-rolled sheets, galvanized and prepainted. Thus, the provisional safeguard measure consists in the imposition of an additional ad valorem duty of 25% on imports of these products for a period of 200 days.

Until today's date, there is no new actor in the sector in Morocco.

#### I.5. Risks in connection with exportation

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Revenues attributable to exports by Maghreb Steel tend to fluctuate along the lines set by international prices for cold rolled, galvanized and pre-lacquered sheet metals.

The company is trying to diversity its export markets and to enter into trading partnerships with its customers.

#### I.6. Risk of non-payment

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Maghreb Steel operates in an environment marked by a hard economic situation due to the European financial crises which has a negative impact on its business and the business of the steelworkers in general.

This context, which is combined with an important indebtedness, may constitute a risk related to the repayment of its debt on the short and the long term. Indeed, the financial difficulties faced by the company unable it to repay the commercial papers by cash, and makes it solicit the holders to subscribe to new issues in order to refinance the ones arrived at maturity.

However, Maghreb Steel has signed a memorandum of understanding with the banks for a financial restructuring of its bank debts. A similar approach has been adopted with the holders of commercial papers for the restructuring of the market debt.

The attention of commercial papers holders is drawn to the fact that the company's inventories were pledged on the behalf of the bank consortium covering restructured loans. This significantly lowers the assets available to pay off other creditors (including commercial papers holders) in the case of the liquidation of the company.

## Partie VI. EXCEPTIONAL EVENTS AND DISPUTES

During 2012, the negative economic situation associated to the European financial crises caused a slackening of the business of the steelworkers in Europe as well as in Morocco.

This crisis is revealed mainly by (i) overcapacities of the production of steel in Europe due to the decrease in consumption, especially in the automotive sector, (ii) the decline steel coils margins, (iii) as well as the increase of imports into Morocco of steel products from Europe and Turkey at very low prices.

This year has also been marked by the decline of the Spreads LAC – iron scrap in the international market. This difference, which provides an assessment of the margins, has been subject to a disrupted progress since 2008, and currently it is settled at 250 Dollars/Ton. This margin level produces an underutilization of the electric arc furnace (average rate of use 20% in 2012).

The business of the company has also been influenced by the decrease of the sale prices and the decline of the margins of the steel sheet products in the local market as a result of an inflow into Morocco of steel products coming from Europe and Turkey at lower prices obliging Maghreb Steel to align its sale prices and reduce its margins.

This context combined with an important indebtedness of the company is at the origin of the difficulties encountered by Maghreb Steel to assume its debt repayments at the short and the long term. To adjust the adverse effects of this crisis on its financial situation, Maghreb Steel has signed a memorandum of understanding with the major banks for a financial restructuring of its bank debt. A similar approach has been adopted with the holders of commercial papers for the restructuring of the market debt.

In addition to these financial restructurings, Maghreb Steel has filed on November 20<sup>th</sup>, 2012 a request for the implementation of anti-dumping measures on the imports of hot-rolled steel coils with the Ministry of industry, Trade and new technologies to protect the local market for steel plate. This request resulted to the launch of an investigation by the Ministry in January 2013.

The so-called investigation confirms the existence of a dumping that represents a prejudice to Maghreb Steel. Hence, the Government introduced in late June 2014 an additional custom duty on imports of hot-rolled steel from European countries and Turkey

Along with this anti-dumping measure, Maghreb Steel filed in 2014 to the Ministry a request for safeguard measures on the importation of Cold rolled, galvanized and Prepainted products from the European Union. The request led to the opening of an investigation in May 2014 that the course is still in progress.

In October 2014, the Ministry published a second public notice regarding the establishment of a provisional safeguard measure consisting in the imposition of an additional ad valorem duty of 25% on imports of cold-rolled sheets, galvanized and prepainted for a period of 200 days.

During the same period, the Company has announced reaching an agreement with its financial partners on the restoration of the margins of laborer of treasury and the provision of additional assistance to support the transformation of the company in return for a firm commitment from the shareholders on a radical plan of transformation and the injection of MADm 400 of shareholders equity before 2017 among which 200 MDhs in 2014.

## Warning

The aforementioned information is only a part of the information prospectus approved by the CDVM under reference n° VI/EM/036/2014 on November 10<sup>th</sup>, 2014.

The CDVM recommends reading of the entire information record available in French.