



## PROSPECTUS SUMMARY

Issue of Commercial Paper  
(Update for fiscal year 2012)

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 August 29<sup>th</sup>, 2013 under reference n° VI/EM/019/2013.

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 August 29<sup>th</sup>, 2013 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

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

## 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    | Treasury bills 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 August 25<sup>th</sup>, 2013

| Global Amount | Duration | Entitlement | Due Date   | Interest rate |
|---------------|----------|-------------|------------|---------------|
| 755 500 000   | 13 weeks | 04/06/2013  | 04/09/2013 | 6,50%         |
| 140 000 000   | 25 days  | 05/08/2013  | 30/08/2013 | 6,50%         |

Source: BMCE Bank

The outstanding commercial papers issued by Maghreb Steel amount to MADm 895 as of Aug. 25<sup>th</sup>, 2013.

Tableau 3 History of matured issues over the period [2012 – June 2013]

| Global amount | Duration | Due Date<br>(dd/mm/yyyy) | Interest rate |
|---------------|----------|--------------------------|---------------|
| 250 000 000   | 52 weeks | 29/02/2012               | 4,15%         |
| 295 000 000   | 52 weeks | 20/03/2012               | 4,15%         |
| 51 000 000    | 52 weeks | 02/05/2012               | 4,15%         |
| 59 000 000    | 52 weeks | 05/06/2012               | 4,16%         |
| 100 000 000   | 3 months | 16/08/2012               | 4,10%         |
| 150 000 000   | 52 weeks | 28/12/2012               | 4,55%         |
| 150 000 000   | 52 weeks | 02/01/2013               | 4,55%         |
| 50 000 000    | 52 weeks | 07/01/2013               | 4,55%         |
| 50 000 000    | 26 weeks | 14/01/2013               | 4,35%         |
| 250 000 000   | 52 weeks | 27/02/2013               | 4,55%         |
| 50 000 000    | 40 days  | 27/02/2013               | 6,00%         |
| 100 000 000   | 52 weeks | 19/03/2013               | 4,70%         |
| 300 000 000   | 13 weeks | 19/03/2013               | 6,50%         |
| 150 000 000   | 13 weeks | 28/03/2013               | 4,50%         |
| 185 000 000   | 13 weeks | 03/04/2013               | 4,50%         |
| 90 000 000    | 52 weeks | 10/04/2013               | 4,50%         |
| 50 000 000    | 52 weeks | 22/05/2013               | 4,55%         |
| 400 000 000   | 77 days  | 04/06/2013               | 6,50%         |
| 150 000 000   | 68 days  | 04/06/2013               | 6,50%         |
| 185 000 000   | 65 days  | 04/06/2013               | 6,50%         |
| 140 000 000   | 55 days  | 04/06/2013               | 6,50%         |
| 20 000 000    | 52 weeks | 04/06/2013               | 4,55%         |
| 140 000 000   | 1 month  | 04/07/2013               | 6,50%         |
| 140 000 000   | 32 days  | 05/08/2013               | 6,50%         |

Source : BMCE Bank

Due to its financial difficulties, the company has systematically renewed the different issues at their maturity date.

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

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|                                    |   |
|------------------------------------|---|
| Financial Advisor                  | BMCE Capital Conseil<br>63 boulevard Moulay Youssef, Casablanca |
| Book Runner                        | BMCE Bank<br>140 avenue Hassan II, Casablanca                   |
| Entity holding securities accounts | BMCE Bank<br>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<br><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<br>(on December 31 <sup>st</sup> ,<br>2012) | <ul style="list-style-type: none"><li>▪ MAD 2 400 000 000 at par value of MAD 100</li></ul>   |
| Place for consultation<br>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<br>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             | 31/12/2010        |                                | 31/12/2011        |                                | 31/12/2012        |                                |
|--------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|
|                          | 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         | 22,48%                         | 4 045 500         | 16,86%                         |
| Ste Bled Solb            | 3 980 338         | 22,11%                         | 3 980 338         | 22,11%                         | 9 980 338         | 41,58%                         |
| El Fadel SEKKAT          | 1 856 250         | 10,31%                         | 1 856 250         | 10,31%                         | 1 919 531         | 8,00%                          |
| Fouad SEKKAT             | 1 856 250         | 10,31%                         | 1 856 250         | 10,31%                         | 1 919 531         | 8,00%                          |
| Rachid SEKKAT            | 1 856 250         | 10,31%                         | 1 856 250         | 10,31%                         | 1 919 531         | 8,00%                          |
| Driss SEKKAT             | 1 375 424         | 7,64%                          | 1 375 424         | 7,64%                          | 1 375 424         | 5,73%                          |
| Leila SEKKAT             | 925 875           | 5,14%                          | 925 875           | 5,14%                          | 989 157           | 4,12%                          |
| Moussa SAMIR             | 900 000           | 5,00%                          | 900 000           | 5,00%                          | 900 000           | 3,75%                          |
| Abdellah SAMIR           | 540 000           | 3,00%                          | 540 000           | 3,00%                          | 540 000           | 2,25%                          |
| Batoul MEKOUAR           | 253 125           | 1,41%                          | 253 125           | 1,41%                          | -                 | -                              |
| Fondation SEKKAT         | 225 989           | 1,26%                          | 225 989           | 1,26%                          | 225 989           | 0,94%                          |
| Ste Les Trois amis       | 150 000           | 0,83%                          | 150 000           | 0,83%                          | 150 000           | 0,63%                          |
| Association Al Akhawayne | 28 249            | 0,16%                          | 28 249            | 0,16%                          | 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%                          |
| <b>Total</b>             | <b>18 000 000</b> | <b>100%</b>                    | <b>18 000 000</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 by MAD 600 million. The entirety of the said increase has been fully subscribed to by Bled Solb Company. However, MADm 300 have not being paid yet. It is expected to be paid before June 30<sup>th</sup>, 2014.

### 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 December 31<sup>st</sup>, 2012

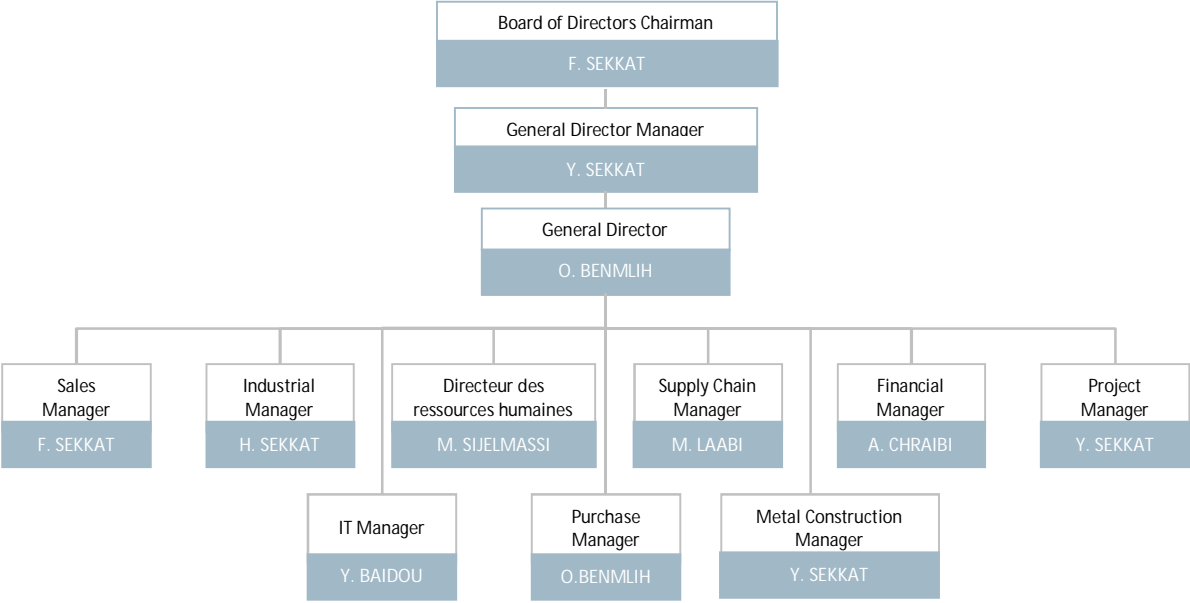
| Name                  | Position                      | Address  | Beginning of term            | Expiry of term          | Family relationship |
|-----------------------|-------------------------------|--|------------------------------|-------------------------|---------------------|
| M. El Fadel 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 December 31<sup>st</sup>, 2012



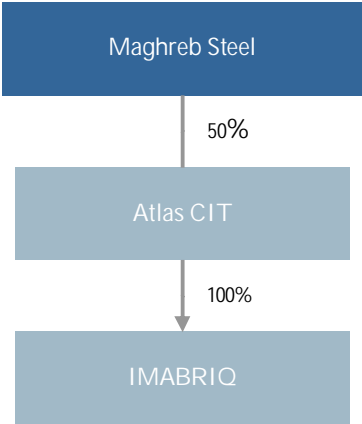
Source: Maghreb Steel

## Partie III.    ACTIVITY, MARKET AND COMPETITION

I. Activity of Maghreb Steel

I.1. Subsidiaries of Maghreb Steel on December 31st, 2012

Figure 3. Subsidiaries of Maghreb Steel as of December 31st, 2012

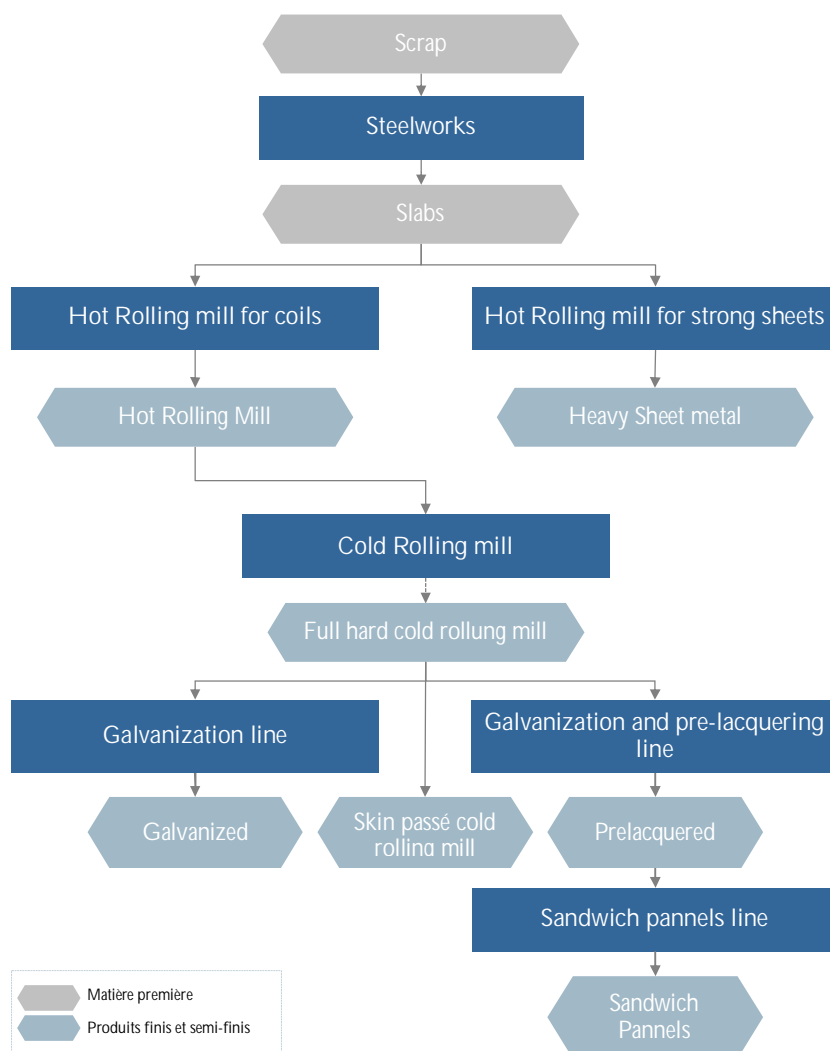


Source: Maghreb Steel

## 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.

#### 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 2011, sales of zinc, zinc oxides and by-products amounted to KMAD 3 960 KMAD, i.e. up by 197% compared to 2010.
  - ▶ 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.

## Partie IV. FINANCIAL SITUATION OF MAGHREB STEEL

## I. Consolidated management balance statement

Tableau 7 Consolidation management balance statement 2010-2012

| KMAD  | 2010      | 2011      | Var. % | 2012      | Var. %  |
|---|-----------|-----------|--------|-----------|---------|
| Sale of goods (as is)   | 117 459   | 11 696    | -90,0% | 23 188    | 98,3%   |
| Goods purchased and resold  | 90 155    | 10 957    | -87,8% | 22 566    | n.a     |
| Gross margins for as is sales                                     | 27 304    | 739       | -97,3% | 622       | -15,8%  |
| Production  | 2 449 205 | 3 575 028 | 46,0%  | 2 607 141 | -27,1%  |
| Sales of goods and services produced                              | 1 865 953 | 2 597 738 | 39,2%  | 2 666 639 | 2,7%    |
| Changes ins inventories   | 202 717   | 717 106   | 253,7% | -412 766  | n.a     |
| Fixed assets produced by the company for itself                   | 380 535   | 260 184   | -31,6% | 353 268   | 35,8%   |
| Consumption   | 2 060 501 | 3 258 107 | 58,1%  | 2 462 072 | -24,4%  |
| Material and supplies purchased and consumed                      | 1 943 247 | 3 140 743 | 61,6%  | 2 333 243 | -25,7%  |
| Other external expenses   | 117 254   | 117 365   | 0,1%   | 128 829   | 9,8%    |
| Added Value   | 416 008   | 317 660   | -23,6% | 145 691   | -54,1%  |
| Operating subsidies   | 636       | 626       | -1,6%  | 730       | 16,6%   |
| Taxes and duty  | 10 623    | 2 206     | -79,2% | 8 759     | n.a     |
| Payroll expenses  | 209 590   | 231 885   | 10,6%  | 213 813   | -7,8%   |
| Earnings Before Income Tax Depreciation and amortization (EBITDA) | 196 430   | 84 194    | -57,1% | -76 152   | -190,4% |
| Other operating incomes   | 1 308     | -         | n.a    | -         | n.a     |
| Other operating expenses  | -         | -         | n.a    | 1 800     | n.a     |
| Operating write downs transfer of expenses                        | 16 395    | 36 637    | 123,5% | 16 433    | -55,1%  |
| Allocation to operation   | 148 162   | 188 407   | 27,2%  | 242 650   | 28,8%   |
| Operating income (- or +)   | 65 972    | -67 575   | n.s.   | -304 168  | n.s.    |
| Financial Income  | -65 716   | -87 818   | n.s.   | -177 562  | 102,2%  |
| Current income  | 256       | -155 393  | n.s.   | -481 730  | n.s.    |
| Exceptionnall income (- or +)                                     | 1 467     | -1 197    | n.s.   | 74 151    | n.s.    |
| Income Tax  | 11 763    | -42 547   | n.s.   | 16 311    | n.a     |
| Net Income (Integrated companies)                                 | -10 041   | -114 043  | n.s.   | -423 890  | n.s.    |
| Quota in income of enterprises included by the equity method      | -         | -         | -      | -         | -       |
| Allocations to depreciation of goodwill                           | -16       | -16       | -      | -16       | 1,4%    |
| Consolidated net income   | -10 057   | -114 059  | n.s.   | -423 906  | n.s.    |
| Minority income   | 211       | -         | -      | -         | -       |
| Net income part of the group                                      | -9 846    | -114 059  | n.s.   | -423 906  | n.s.    |

Source: Maghreb Steel

## II. Consolidated balance sheet

Tableau 8 Assets of Maghreb Steel consolidated balance sheet

| Consolidated assets in KMAD                                | 2010      | 2011      | Var. % | 2012      | Var. %  |
|--|-----------|-----------|--------|-----------|---------|
| Written off fixed assets                                   | -         | -         | n.s.   | -         | n.s.    |
| Intangible assets  | 2 514     | 2 192     | -12,8% | 1 407     | -35,8%  |
| Tangible fixed assets                                      | 4 245 348 | 5 153 322 | 21,4%  | 5 522 493 | 7,2%    |
| Land   | 7 128     | 7 128     | -      | 7 158     | 0,4%    |
| Buildings  | 200 488   | 196 939   | -1,8%  | 459 475   | 133,3%  |
| Technical, material and tooling facilities                 | 1 765 045 | 1 939 027 | 9,9%   | 3 795 761 | 95,8%   |
| Transport equipment  | 3 626     | 4 278     | 18,0%  | 6 973     | 63,0%   |
| Furniture, office supplies and miscellaneous installations | 7 843     | 8 275     | 5,5%   | 7 518     | -9,2%   |
| Other tangible fixed assets                                | 11        | 54        | 370,4% | -         | -100,0% |
| Current tangible fixed assets                              | 2 261 206 | 2 997 619 | 32,6%  | 1 245 608 | -58,4%  |
| Financial Assets   | 7 081     | 26 592    | 275,5% | 40 338    | 51,7%   |
| Goodwill - Assets  | 2 267     | 3 049     | 34,5%  | 2 405     | -21,1%  |
| Total fixed assets   | 4 257 209 | 5 185 154 | 21,8%  | 5 566 643 | 7,4%    |
| Inventories  | 1 217 042 | 1 920 505 | 57,8%  | 1 122 675 | -41,5%  |
| Receivables  | 1 049 884 | 1 194 288 | 13,8%  | 1 458 834 | 22,2%   |
| Suppliers, debtors, advances and installments              | 5 641     | 1 348     | -76,1% | 1 781     | 32,1%   |
| Customers and related accounts                             | 498 164   | 568 182   | 14,1%  | 847 940   | 49,2%   |
| Payroll  | 854       | 79        | -90,7% | 94        | 19,2%   |
| State  | 468 514   | 497 690   | 6,2%   | 460 854   | -7,4%   |
| Differed tax statement                                     | 66 378    | 123 789   | 86,5%  | 122 223   | -1,3%   |
| Shareholders' accounts                                     | -         | -         | -      | -         | -       |
| Other debtors  | 9 157     | 2 088     | -77,2% | 22 383    | n.s.    |
| Asset equalization account                                 | 1 176     | 1 112     | -5,5%  | 3 558     | n.s.    |
| Investment securities                                      | 6 000     | -         | -      | -         | -       |
| Conversion differentials - Assets (current items)          | 351       | 14 612    | n.s.   | 905       | -93,8%  |
| Total current assets                                       | 2 273 277 | 3 129 405 | 37,7%  | 2 582 413 | -17,5%  |
| Treasury - Assets  | 103 177   | 107 595   | 4,3%   | 17 141    | -84,1%  |
| Total  | 6 633 664 | 8 422 154 | 27,0%  | 8 166 197 | -3,0%   |

Source: Maghreb Steel

Tableau 9 Consolidated liabilities

| Consolidated liabilities in KMAD                  | 2010      | 2011      | Var. % | 2012      | Var. % |
|---|-----------|-----------|--------|-----------|--------|
| Shareholders' equity and similar                  | 1 819 897 | 1 702 038 | -6,5%  | 1 675 059 | -1,6%  |
| <i>Including shareholders' equity</i>             | 1 815 945 | 1 699 750 | -6,4%  | 1 574 343 | -7,4%  |
| <i>Including minority interests</i>               | 36        | -         | -      | -         | -      |
| <i>Including assimilated shareholders' equity</i> | 3 916     | 2 288     | -41,6% | 100 716   | n.s.   |
| Financing debts                                   | 2 248 596 | 2 805 890 | 24,8%  | 2 664 011 | -5,1%  |
| Sustainable provisions for risks and expenses     | 2 267     | 3 049     | 34,5%  | 2 405     | -21,1% |
| Conversion differential liabilities               | 2 451     | 754       | -69,2% | 1 098     | 45,6%  |
| Permanent capital                                 | 4 073 210 | 4 511 731 | 10,8%  | 4 342 573 | -3,7%  |
| Current liabilities                               | 744 092   | 1 131 556 | 52,1%  | 1 029 723 | -9,0%  |
| Suppliers and related accounts                    | 576 720   | 641 165   | 11,2%  | 530 963   | -17,2% |
| Creditor clients, advances and installments       | 16 260    | 12 122    | -25,4% | 27 442    | 126,4% |
| Payroll   | 407       | 639       | 56,9%  | 1 247     | 95,1%  |
| Social organisms                                  | 9 483     | 9 996     | 5,4%   | 7 507     | -24,9% |
| State   | 103 114   | 109 571   | 6,3%   | 128 960   | 17,7%  |
| Differed tax statement                            | 9         | -         | -      | -         | -      |
| Shareholders' accounts                            | 615       | 615       | -      | 2 415     | n.s.   |
| Other debtors                                     | 4 909     | 11 783    | 140,0% | 41 176    | n.s.   |
| Equalization account                              | 31 661    | 330 757   | 944,7% | 286 729   | -13,3% |
| Other provisions for risks and expenses           | 387       | 14 682    | n.s.   | 3 142     | -78,6% |
| Treasury - Liabilities                            | 527       | 226       | -57,0% | 143       | -36,9% |
| Treasury - Liabilities                            | 1 816 362 | 2 778 867 | 53,0%  | 2 793 901 | 0,5%   |
| Total   | 6 633 664 | 8 422 154 | 27,0%  | 8 166 197 | -3,0%  |

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.

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.

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## 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 stocks will be pledged to the bank consortium covering restructured loans which lowers significantly the assets available to pay off other creditors (including the commercial papers holders) in the event 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.

Moreover, it should be noted that Maghreb Steel has received a grant from the State of MADm 100 as a participation in the off-site works of Bled Solb complex.

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 will enable the application of the customs' duty up to the anti-dumping margin.

## Warning

The aforementioned information is only a part of the information prospectus approved by the CDVM under reference n° VI/EM/019/2013 on August 29th, 2013.

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